AN ANALYSIS OF THE CONCEPT OF FACTORY OUTLETS FOR NEW BRUNSWICK

FINAL REPORT

GOVERNMENT OF NEW BRUNSWICK

CANADA-NEW BRUNSWICK PLANNING SUBSIDIARY AGREEMENT

GOVERNMENT OF CANADA

WMS ASSOCIATES LTD.

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1.0 INTRODUCTION

1.1 Study Objective

The impact of the factory outlet system in the States of Maine and New Hampshire over the past ten years has provided the impetus for the New Brunswick Department of Commerce and Technology to commission an analysis of the concept of factory outlets in New Brunswick. The specific objectives of the study was to assess the potential of developing factory outlet centres in New Brunswick as an economic development tool for the province.

1.2 An Overview of the Factory Outlet Industry

1.2.1 United States/New England

The beginning of the factory outlet system in North America has its antecedents principally along the eastern seaboard of the United States from New England to the Carolinas. Over a century ago, these areas prospered from the industrial output of textile mills, footwear manufacturers and other manufacturers of wearing apparel. In time, various factories developed small outlets, usually as an adjunct, attached or adjacent to the manufacturing operation. These outlets sold seconds and irregulars of their products at substantially reduced prices - sometimes even at a loss.

As the popularity of these "out-of-the-way" factory outlets spread beyond the immediate community, manufacturers began to expand the floor space allocated to this type of merchandise, often establishing the outlet in separate quarters from the factory. This approach to selling the manufacturer's seconds, overruns and irregular items continued for many decades.

In the 1960s, two factors brought the concept of consolidated factory outlets to the forefront: department store chains emerged as a major retailing force, and regional shopping centres presented an innovative retailing system. Unprecedented retail consumption on the part of the public in the 1960s led to the rise of larger and higher capacity manufacturing operations to meet increased market demand. These

simultaneous retailing developments (chain department stores and regional shopping centres) began to put a strain on the manufacturer/retailer relationship.

As a major distribution point for manufacturers, the department stores quickly recognized their power to dictate the terms of sale through delayed billing, advertising contributions, returnable policies on merchandise and similar favourable concessions. By 1970, these retail stores were being influenced by the availability of goods produced off-shore, especially designer brand apparel and footwear. Consequently, indigenous manufacturers were faced with higher inventories to liquidate and, in response to a need for better distribution systems, began to establish their own outlets.

The birthplace for the factory outlet retailing concept is commonly considered to be Reading, Pennsylvania. This small industrial community prospered on the basis of the textile industry during the late nineteenth and early twentieth centuries. However, by the 1970s, the textile mills lay vacant and decaying. Several apparel manufacturers, recognizing the value of the inexpensive space, renovated these mills for outlet purposes. By 1974, consumers from nearby Philadelphia and as far away as New York were travelling to Reading to take advantage of perceived special savings direct from the manufacturers. During 1974, the Reading Outlet Centre officially opened to the public.

The outlet form of retailing enjoyed substantial growth and resulted in a virtual revolution in merchandising. Developers were quick to respond to the consumer desire for quality, brand-name goods at reduced prices. Combining the motives of manufacturers for expediting the distribution of their products, and retailers for creating innovative approaches to merchandising, the developers provided a pleasing environment for outlets and off-price centres.

Recognizing the need for low overheads, outlet developers in the 1970s and early 1980s limited themselves to the conversion of older shopping centres or to the adaptive re-use of older buildings. Adaptive re-use projects are developed from buildings formerly used for purposes other than congregate retailing. Mills are the most common target for this strategy, but schools, warehouses and industrial plants have also been adapted. However, by 1984, this development activity peaked with 33 mall conversions.

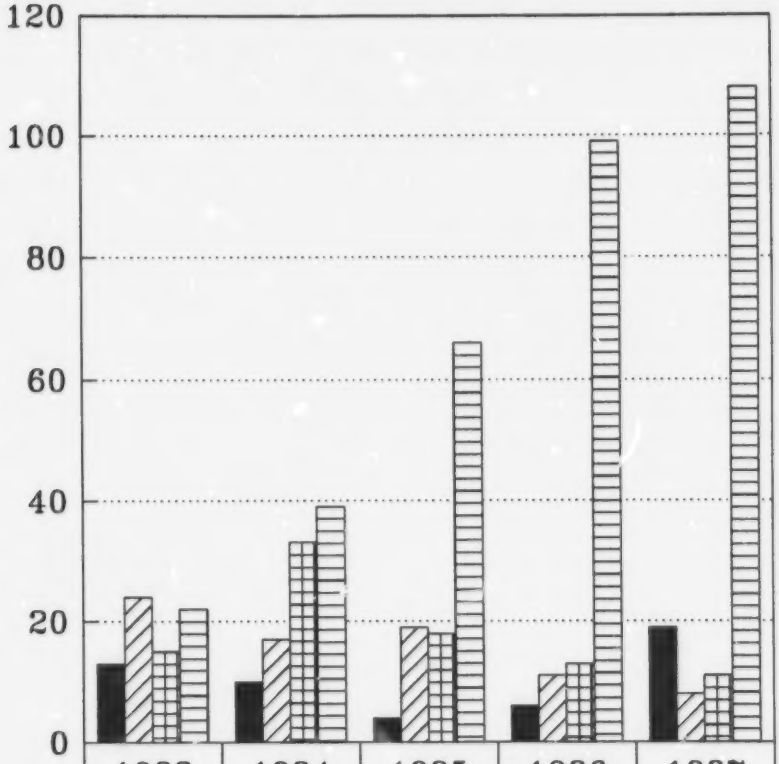
Conversions are developed from former traditional shopping centres or malls. Tenants are replaced with value-oriented stores, and the physical plant is usually rehabilitated. As more developers sought to imitate the success of others, the number of sites available for potential development decreased. This situation was also affected by substantial growth in sales volumes at "traditional" shopping malls. To respond to these developments, factory outlet stores formed an alliance with off-price retailers who offered quality, brand-name goods at substantial savings. These off-price stores were not necessarily owned by a manufacturer. Off-price stores readily appealed to the same clientele as the factory outlets. To avoid conflict with conventional retailers, factory outlets would traditionally locate in close proximity to the manufacturer or on the outskirts of a community.

Developers responded by building outlet/off-price centres in suburban areas. Gradually, these developments gained a reputation among consumers as the ideal shopping experience for high quality purchases at significant savings. These outlet/off prices centre developments included new structures such as malls with enclosed corridors to shield shoppers from the elements and open centres in which all stores have exterior entrances. Annual factory outlet developments by type are illustrated in Figure 1.

Over the last few years, there has been a further segmentation of this sector with the development and promotion of "pure" factory outlet villages or centres as opposed to groupings of off-price stores. Nevertheless, by 1987, Value Retail News of St. Petersburg, Florida, the leading industry watcher, reported over 615 chain operations operating nearly 20,000 off-price stores in the United States. Overall in 1987, the United States supported more than 600 malls comprised of outlet/off-price tenants.

Although Reading, Pa. is considered the birthplace of the modern factory outlet concept, it is in New England where the concept has gained its widest public acceptance. From a modest start in Freeport, Maine (see Figure 2) in 1981 by Dansk, a Scandinavian housewares manufacturer, the factory outlet system has now spread throughout New England. By the beginning of 1989, over 1100 stores had been established throughout the region.

FIGURE 1: ANNUAL FACTORY OUTLET DEVELOPMENTS BY TYPE



	1983	1984	1985	1986	1987
Adaptive Re-Use	13	10	4	6	19
Conversions	24	17	19	11	8
Malls	15	33	18	13	11
Open Centres	22	39	66	99	108

Adaptive Re-Use Conversions
Malls Open Centres

Source: Value Retail News, The Art and Science of Outlet and Off-Price Retailing and Development, 1989, p. 58.

VALUE RETAIL OUTLET LOCATIONS
VISITED IN NEW ENGLAND

wms associates ltd.
ENVIRONMENTAL CONSULTANTS AND SCIENTISTS

FIGURE No.: 2	JOB No.: 3036
SCALE: NTS	DATE: 89 12 13

Spearheaded by Freeport, Maine, Fall River, Massachusetts, and North Conway, New Hampshire, each of which now contain more than 100 stores, factory outlet/off-price store shopping is now well established in the United States.

Spending estimates on a national basis indicate that, for 1989, consumer expenditures in factory outlets will exceed $4 billion. Between 1979 and 1984 outlet/off-price retailing outstripped all other forms of retailing, growing at an average annual rate of 23 percent. The period from 1985-1987 saw a diminished average annual growth rate of 15 percent for this industry segment, still almost triple the 5.9 percent increase experienced in total U.S. retail sales.

1.2.2 Canada

In contrast to the United States growth experience with factory outlet/off-price retailing during the past ten years, Canadian manufacturers and retailers are just beginning to consider the concept. The primary deterrent to the development of the outlet system in Canada has been the lack of sufficient brand name manufacturers with the capacity to generate the necessary quantity and variety of goods to supply outlet stores.

This lack of Canadian manufacturers, coupled with the traditionally stronger bond between conventional retailers and producers in Canada than in the United States, has been a major stumbling block in the evolution of outlet/off-price stores. Some early efforts in the Toronto area in 1982 met with solid opposition from traditional retailers who went so far as to boycott products from manufacturers that participated in outlet centres.

The conversion of existing shopping centres was undertaken by developers like Bramalea Ltd. and First Plazas Inc., both of Toronto, in the early 1980s. Initially, these developments in the Toronto metropolitan area grew very slowly. Only First Plaza's combination of outlet and off-price stores is continuing operation.

Elsewhere in Canada, aside from the traditional outlet close to a factory location, the development of outlet centres is very modest. Mall conversions, similar to those carried out in the Toronto Metropolitan area, have been attempted in the Montreal area. M.B.

Realties Corp. established an outlet centre in the East End of Montreal in 1983, but met with mixed success.

1.2.3 New Brunswick

In New Brunswick, the factory outlet concept is limited to two distinct types of outlets. The first type operates in quarters that are part of the same structure as the manufacturing operation and retails seconds or premium goods. This includes such firms as Hartt Shoes, A Division of Church & Co. (Canada) Ltd., Ganong Bros. Limited and Chemise J.M.L. Ltée (La) - J.M.L. Shirt Ltd.

The second type usually has made an effort to separate outlet products from the main production area but not in a distinctive retail setting (i.e., Connors Brothers, Briggs & Little, Wheeler Accessories, Madawaska Weavers, Cottage Craft).

Other firms which produce products such as custom woodworking and ceramics in modest facilities with limited staff occasionally market seconds. These sales only occur, however, when there is sufficient volume of seconds to sell and do not constitute normal factory outlet operations.

2.0 VALUE RETAIL INDUSTRY ANALYSIS

This chapter presents an overview of the value retail industry in North America. The methods used to obtain the required information included a literature search, telephone survey, agency interviews and a field trip to major factory outlet locations.

2.1 Literature Search

A literature search was conducted to obtain data related to the historic growth and development of factory outlets in North America.

2.1.1 Objectives

The objectives of the literature search were as follows:

- Identify the role and growth of factory outlets in relation to the rest of the retailing industry;
- Focus on development trends in the value retail industry;
- Identify the principal players in the marketplace;
- Identify specific issues and concerns affecting the industry; and
- Identify the needs and opportunities for future development.

2.1.2 Methodology

Factory outlets and off-price shopping are sub-sectors of total retail trade. Most industry statistics and research are based on total retail trade making. The isolation of specific information relating to the outlets and off-price sector is difficult. Two sources were addressed:

- standard printed literature; and

- computer databases.

Technical and marketing information has been extracted from articles and business reports contained in relevant industry periodicals, company product literature, newspapers, government reports, academic textbooks and financial journals. Appendix "A" outlines relevant sources.

Within the context of the overall total retail trade, the value retail sub-sector is specifically defined facilitating retrieval of data from a number of the computer database files found in the Dialog network.

2.1.3 Highlights

The results of a perusal of relevant literature and search of databases indicate the following:

- Information on Canadian factory outlets and recent developments is restricted to news articles and corporate reports. Identifying developers of Canadian outlets is difficult as far exist.

- In the U.S., factory outlet/off-price development information includes discount stores which sell inexpensive merchandise cheaply as opposed to value retail stores which sell branded or quality merchandise at reduced prices.

- Value Retail News is the recognized national trade publication in the United States. Retailers and tenants have local or regional associations rely on VRN for business information.

- The Book on Value Retailing, volumes 1, 2 and 3, published by Value Retail News identifies developers and developments throughout the United States in addition to providing information relevant to the locational criteria developed in Chapter 4.

- The Art & Science of Outlet and Off-Price Retailing & Development, 1989 Edition, published by Value Retail News identifies specific issues and concerns affecting the industry and the needs and opportunities for future development.

- The computer databases searched revealed numerous articles listed in the Bibliography (Appendix "G") which contributed useful information in relation to the value retailing market and industry trends and concerns.

2.2 Telephone Survey

A telephone survey was conducted to obtain relevant information on selected factory outlets in Eastern North America. The survey represented an economical means of interviewing a broad cross-section of industry operators, primarily in Freeport and Kittery, Maine and North Conway, New Hampshire.

Appendix "B" presents the results of the telephone survey, a copy of the interview questionnaire, and a list of outlets surveyed.

2.2.1 Objective

The objective of the telephone survey of outlet operators was to obtain information directly from value retail industry participants on the following issues:

- Definition of a factory outlet;
- Location criteria;
- Problems and opportunities; and
- The applicability of the factory outlet concept for New Brunswick.

2.2.2 Methodology

The outlet operators interviewed were selected from the following publications:

- All About Outlets - Guide to Factory & Off-Price Shopping in New England, Brox, Andrea; 1989

- Visitors Guide, Freeport, Maine, 1989

These publications list all factory outlets in Freeport, Kittery and North Conway.

The 1989 Directory of Products and Manufacturers for New Brunswick was reviewed to ensure that the U.S. outlets selected were involved in product lines similar to those produced or marketed in New Brunswick.

The distribution of interviewees by location was selected to give prominence to the three areas to be visited during the field trip - Freeport and Kittery in Maine and North Conway, New Hampshire.

The telephone survey questionnaire (Appendix "B") was formulated to probe specific issues identified in the Terms of Reference and the WMS Study Proposal, and was designed to produce both quantitative and qualitative data.

The survey was conducted by WMS staff during November 1989. A survey questionnaire was completed for each interview.

2.2.3 Response Rate

Table 1 presents the number of attempted contacts by location and the response rate. The reason cited for non-response varied. Some outlets declined to participate due to company policy, some did not return calls and, in some cases, the study team was unable to contact appropriate personnel.

TABLE 1: TELEPHONE SURVEY INTERVIEWEE LOCATION AND RESPONSE RATE

Location	Number Contacted	Response Rate (%)
Freeport Area	15	73.3
Kittery Area	15	73.3
North Conway Area	15	66.7
Bangor	2	50.0
Chains (Dexter, Bass)	2	0
Canada	5	0
Total	54	61.1

Source: WMS, 1989

The response rate was disappointingly low for national chains and for Canadian (outside New Brunswick) outlets. Chains contacted included Dexter Shoes and Bass Shoes but they did not respond.

2.2.4 Results

The detailed results of the factory outlet operator/owner survey are available in Appendix B. The highlights of the survey are presented below:

- 52% of the outlets surveyed are manufacturer-owned;
- 36% of the outlets surveyed sell both premium quality goods and irregular/close-out products;
- 76% of outlets surveyed are part of a mall/complex;
- In Kittery and North Conway, outlets are located predominantly in malls; in Freeport outlets are primarily free-standing, but within walking distance of each other;
- More than 57% of outlets are located in single storey structures. One outlet indicated that customers preferred not to have to climb stairs; another indicated the need for wheelchair access;
- Adequate and highly visible parking facilities are critical to the success of all outlet locations, particularly in Freeport;
- Employment in outlets surveyed varied according to the size and type of outlet, ranging from 24 person-months to 480 person months of employment per annum;
- 73% of apparel outlets surveyed carry a single product brand name;

- Of the outlets surveyed:
  - 27% sold women's apparel,
  - 18% sold men's apparel, and
  - 12% sold children's apparel or housewares;

- 97% of outlets identified location as critical to the success of the outlet;

- 81% of outlets identified proximity to significant traffic volumes as being essential;

- 27% of outlets identified proximity to other outlets as being important to success;

- 42% of outlets identified zoning as having a negative impact or their operations;

- 42% of outlets interviewed undertook their own sales promotion;

- 67% of outlets indicated that word-of-mouth is the most important promotional tool while 91% of outlets indicated that it is one of the top three promotional tools;

- 91% of outlet operators indicated that price is the main factor attracting people to outlets;

- 42% of outlets identified shoplifting as a major concern;

- 88% of outlet operators interviewed indicated that support services (food, accommodations) are essential to the ongoing viability of their operations; and

- 70% of outlets identified "name brand stores" as being the most successful outlets (i.e. L.L. Bean, Polo, J. Crew).

Qualitative Comments/Observations (from outlet operators)

- An "anchor store" such as L.L. Bean is critical for success;
- Visibility from the major traffic artery is a very important consideration in location of an outlet;
- Name brand stores are volume generators and bring people to the area;
- Long term planning in the establishment of factory outlet locations would avoid many problems specifically with regard to zoning, traffic circulation, parking and pedestrian circulation;
- Staffing constitutes a major problem in all outlet locations. It is difficult to hire adequate staff and local housing is usually not available in adequate quantities to handle the influx of seasonal staff; and
- Effective management is critical to the success of any outlet.

2.3 Agency Interviews

Various government and non-government agency representatives were interviewed to assess their awareness of the factory outlet concept.

The interviews, the interview guide and a list of agencies interviewed is available in Appendix C.

2.3.1 Objectives

The objectives of the agency interviews were as follows:

- To assess the level of agency knowledge and involvement in the value retail sector;
- To acquire relevant information on factory outlets; and

- To identify potential government funding assistance sources for factory outlet entrepreneurs.

2.3.2 Results

The detailed results of the agency interviews are presented in Appendix C. Important highlights below:

- In general, the government agency representatives interviewed had very limited knowledge of the value retail sector and were able to provide very limited information;

- The New Brunswick Department of Tourism, Recreation and Heritage is interested in the concept as an adjacent activity to an existing tourism attraction in the Moncton area;

- The New Brunswick Department of Commerce and Technology is involved only pursuant to its role in stimulating private sector entrepreneurs and does not anticipate a role as a developer. Participation in this study is intended to give the Department a better understanding of the factory outlet phenomenon;

- The Departments of Tourism, Recreation and Heritage and Commerce and Technology are both actively involved in study of factory outlets; and

- Tourism, Recreation and Heritage, and Agriculture both considered the concept relevant to their Department's goals and objectives.

- Agency representatives identified a number of products produced in New Brunswick for which value retail outlets could be potentially applicable including processed foods, crafts, clothing, footwear, fisheries products and blown glass products

- The agency representatives identified five potential funding sources available to entrepreneurs interested in pursuing value retail outlet development.

2.4 Field Trip

The study team conducted a one week field trip to factory outlets in Freeport and Kittery, Maine and North Conway, New Hampshire, and visited Bangor, Skowhegan, Augusta and Portland in Maine and Portsmouth, New Hampshire.

Appendix "D" presents the Field Trip Report which outlines activities, locations visited and interview results.

2.4.1 Objectives

The objectives of the field trip were:

- To interview key industry participants, municipal officials, selected non-factory outlet retailers and local Chambers of Commerce;
- To obtain a general overview of the factory outlet industry and a hands-on understanding of problems and issues;
- To record on film (video, colour slides, black and white and colour prints) examples of factory outlets in the locations visited; and
- To collect industry publications.

2.4.2 Methodology

Meetings were arranged with the Town Managers of Freeport and Kittery in Maine and Conway, New Hampshire. The Town Manager in Conway administers Conway, North Conway and East Conway. Additional meetings were arranged with key industry and government representatives.

A brief video record (VHS) of the field trip was made and slides and photographs taken. The video and photographs (and negatives) are available under separate cover.

Tourism information facilities and Chambers of Commerce were visited to acquire a representative sample of industry related printed material.

Individual factory outlets in the three centres were visited.

2.4.3 Industry Interview Highlights

Ten factory outlet owner/operators agreed to interviews; their location and affiliation are indicated in Table 2.

Although the industry interviews took place in three different locations, there were many points in common, including:

- Value, quality, selection and price are critical factors that appeal to consumers. Value is a reflection of quality for price;
- The existence of an "anchor" is critical to the development of any concentration of factory outlets;
- The most important single factor in location of factory outlets is the existence of adequate nearby traffic volumes. Each of the three locations visited experiences adjacent highway volumes in excess of five million vehicles annually;
- In Freeport, Kittery and North Conway, unemployment was almost non-existent according to the Town Managers interviewed. Significant problems were experienced by the outlets in obtaining suitable staff due to prevailing low unemployment rates. In addition, factory outlet staffing requirements were making it difficult for other local employers to obtain staff;

TABLE 2: FIELD TRIP INTERVIEWS, LOCATION AND AFFILIATION

Person	Position	Location	Agency/Company
Dr. Rand Erb	Exec. Director	Orono, Me.	Canadian/American Centre, U. of Maine
Roy Daigle	General Manager	Bangor, Me.	Bangor Mall
Stuart McGeorge	Director	Freeport, Me.	L.L. Bean
Edgar Leighton	Owner	Freeport, Me.	Leighton's 5¢ to 10¢ (non-outlet business)
Dale Olmstead	Town Manager	Freeport, Me.	Town of Freeport
Grace Russell	Vice Pres. Ops.	Portland, Me.	Ram Management
David Moulton Bruce Clark	President	Kittery, Me.	Chamber of Commerce
Phillip McCarthy	Town Manager	Kittery, Me.	Town of Kittery
Maureen Carson	Director	North Conway,NH	Mount Washington Valley Chamber of Commerce and Visitors Bureau
Kurt Lunt	Town Manager	Conway, NH	Town of Conway

- Good communication and an effective working relationship between the outlet developers and the municipalities in which they are located is important to efficient development of value retail outlets;

- In all three locations, the introduction of factory outlets has resulted in an in-migration of people from outside the area. The large chains have tended to bring in outside managers. This has created problems as these individuals do not generally participate in the community and are not knowledgable about the area;

- Parking, vehicular traffic management and pedestrian movement are major concerns in all three areas;

- All interviewees other than the General Manager of the Bangor Mall felt that development of factory outlets had not peaked;

- Common forms of crime in relation to outlet mall developments include shoplifting, fraud, car break-ins and motor-vehicle infractions;

- In all three areas there has been local resentment of the factory outlets;

- In all three areas, the development of outlets has contributed to increased land values according to the three Town Managers interviewed; and

- Effective municipal planning and use of zoning would minimize the negative effects of development and expansion.

Specific comments include:

- Approximately 30% of annual business at Bangor Mall is from Canadian customers;

- The factory outlet customers are considered to be educated and upper income according to S. McGeorge, Director of L.L. Bean; and

- The developer interviewed indicated that there is no standard outlet mall design; concepts must be formulated to suit the area in which they are located.

2.5 Community Impacts

The results of the literature review, the telephone survey and the field visit demonstrate that the rapid development of the factory outlet concept over the past decade has had a profound effect on the receiving communities. These impacts have been both positive and negative and should be carefully considered should the factory outlet concept be proposed in New Brunswick.

Positive impacts have included increased employment, increased tax base and revitalization of retail activity in the area involved. In the three areas surveyed in the field program, unemployment was extremely low or almost nonexistent. Although this cannot be attributed wholly to factory outlets (unemployment is generally low throughout New England), these outlets have provided significant employment opportunities. The increased community tax base has allowed for greater expenditures on community infrastructure and services.

The emergence of factory outlets has revitalized retail activity and enhanced the local tourism industry. This has not been as evident in Kittery where malls are located outside the downtown core. In North Conway, retail activity has been greatly enhanced.

Negative impacts have included effects on the quality of life in the communities involved, effects on existing traditional retailers, increased property values, increased property taxes and an influx of outsiders into the community. The pressure of increased traffic and the large number of visitors have negatively affected the quality of life in these communities. Generally, local residents' feelings towards factory outlets varied from negative to very negative. The emergence of factory outlets in the three communities has resulted in increased land values as entrepreneurs bid for the best sites adjacent to existing developments. These increased values have resulted in

traditional merchants moving out of the core area in order to benefit from the sale of their property and has made it impossible for traditional merchants to locate in the core retail area next to outlets because of the costs of acquiring property. The increased traffic caused by the outlets has also interfered with the business of traditional merchants (primarily used by local residents). The influx of outsiders into the communities has resulted in a lessening of community cohesion and a diminution of the sense of community, and thus, engendered resentment on the part of local residents. Increased property taxes have been a negative factor in some communities affected by factory outlets. Although higher taxes have affected the business community (i.e., commercial property) the largest effect has been on local residents (residential property).

3.0 CONCEPT DEFINITION

3.1 Introduction

For nearly a century, the factory outlet concept was associated with space allocated within a manufacturer's operation where slightly flawed goods would be sold firstly to its employees and thereafter to local customers. In recent years this definition of factory outlets has evolved to encompass a much broader range of retailing activity. This chapter presents an overview of current concepts and associated issues.

3.2 Current Definition - Value Merchandising Outlets

Value Retail News, the leading industry trade journal focusing on North American Outlet merchandising, defines separate categories under value retailing where stores sell quality or brand-name merchandise at reduced prices:

- Off-price is most often used to distinguish value retail chains not owned or operated by a manufacturer from those which are. Off-price strategies vary, with differing concepts of what constitutes nationally known brands, and with merchandise mixes consisting of varying percentages of legitimate brand-name goods;

- Outlet stores are those operated by a manufacturer. Most outlet chains buy outside goods to supplement their merchandise mix. Outlets must avoid competing with their wholesale accounts, so site selection principles for these chains are unique and critical to their success. Some manufacturers refuse to sell to off-price chains, using aggressive outlet operations instead to maintain control over their product distribution; and

- Discount stores sell inexpensive merchandise cheaply, as opposed to value retail stores, which sell brand-name or quality merchandise at reduced prices. The distinction is not always clear. For example, 25 percent of K-Mart's apparel mix is brand-name merchandise, and another 25 percent consists of its own heavily promoted private-label goods.

3.3 The Concept in the New Brunswick Context

While the above definitions can clearly be applied to situations in New Brunswick, it may require a blend of the outlet/off-price concepts to foster this form of retailing in the province. Newer establishments in Freeport and North Conway have already developed a new variation of these older forms of value retailing. This has been brought about in part by a level of consumer demand for factory outlet products which even the largest manufacturers are finding difficult to meet.

Unable to generate sufficient flawed or irregular goods, the outlets are designing their stores to accommodate the retailing of seconds, manufacturer's close-outs, end-of-season lines, and frequent stock overruns. In fact, overruns of new seasonal lines are becoming more planned than unplanned in order to assure adequate stock for outlets.

By incorporating a store layout with definable areas for outlet and off-price inventories as well as regular retail products, manufacturers are obtaining maximum benefits from their production systems. In the New Brunswick context, this may provide the opportunity for smaller manufacturers to participate in factory outlet retailing. In fact, the outlet/off-price mix leaves room for several local manufacturers to consolidate under one roof (i.e., producers of pottery, crafts or wood products).

3.4 Other Industry Terminology

The value retailing sector has brought about the evolution of an entire lexicon of terms or phrases including:

- Adaptive re-use projects are developed from buildings formerly used for purposes other than congregate retailing. Mills are the most common target for this strategy, but schools, warehouses and industrial plants have also been adapted.

- Conversions are developed from former traditional shopping centres or malls. Tenants are replaced with value-oriented stores, and the physical plant is usually rehabilitated.

- Malls are projects with enclosed corridors to protect shoppers from adverse climatic conditions. Extra charges for heating, cooling and maintaining common areas add to a tenant's occupancy costs, but studies show the more time a shopper spends at a mall or centre, the more money he/she spends.

- Strip or open centres are those in which all stores have exterior entrances. Common area maintenance charges are minimized because there are no common areas to be heated or air conditioned; customers can park immediately outside a store; and each store has its own conspicuous signage.

- Co-existence is a coveted situation, achieved when a manufacturer is able to maintain his/her wholesale accounts while increasing distribution through carefully located direct sales. Concerns for co-existence remove underlining underlay every outlet store site consideration.

- Free trade zones are areas at sufficient distance from a manufacturer's wholesale accounts that products can be sited direct through outlets without fear of reprisal.

- Irregulars are slightly flawed merchandise. Appearance and function are usually unaffected.

- Seconds are flaws more serious than irregulars. The merchandise may be misshapen, mismatched or stained.

- Jobbers buy liquidation merchandise and resell it.

- Buying services represent store operators, seeking and buying merchandise that meets set criteria.

- Captive brand stores are those that sell merchandise that is not introduced into other distribution channels, but is sold only in their stores.

- Anchor stores are major stores that draw customers to shopping areas by their size, reputation and consumer appeal, or aggressive marketing.

4.0 DEVELOPMENT CRITERIA

In this chapter, the criteria involved in a potential developer's decision to build a value retail facility are discussed in detail. The criteria can be divided into locational criteria, those criteria considered in choosing a specific site, and operational considerations, those factors that limit development and affect operations of value retail outlets.

4.1 Locational Criteria

Locational criteria refers to the factors which a developer must consider when deciding to build an outlet mall in a specific location or an entrepreneur must consider when deciding whether to locate in a specific development.

There are no magic formulas or pat answers when deciding on a specific location for an outlet/off-price facility or outlet mall. Although there are a number of criteria to be considered in choosing a location, each location is unique in the combination of these criteria and, ultimately, the entrepreneur (developer or store owner) must weigh all the factors and take a risk.

This section describes commonly considered locational criteria based upon the results of the telephone survey, field work, literature review and observations of the study team.

Figure 3 graphically illustrates ten locational criteria involved in the decision to choose a specific location for a factory outlet or off-price facility.

The single most important factor in locating an outlet facility is traffic volume. Table 3 illustrates traffic related criteria in relation to mall development. Table 4 indicates criteria used in the location of individual outlets. From Table 3, annual traffic counts from 8-20 million vehicles were considered desirable in developing the individual mall locations.

From Table 4, locational considerations for individual outlets included average annual daily traffic (AADT) counts in excess of 15,000 to 20,000 vehicles. In New England,

FIGURE 3: LOCATIONAL CRITERIA

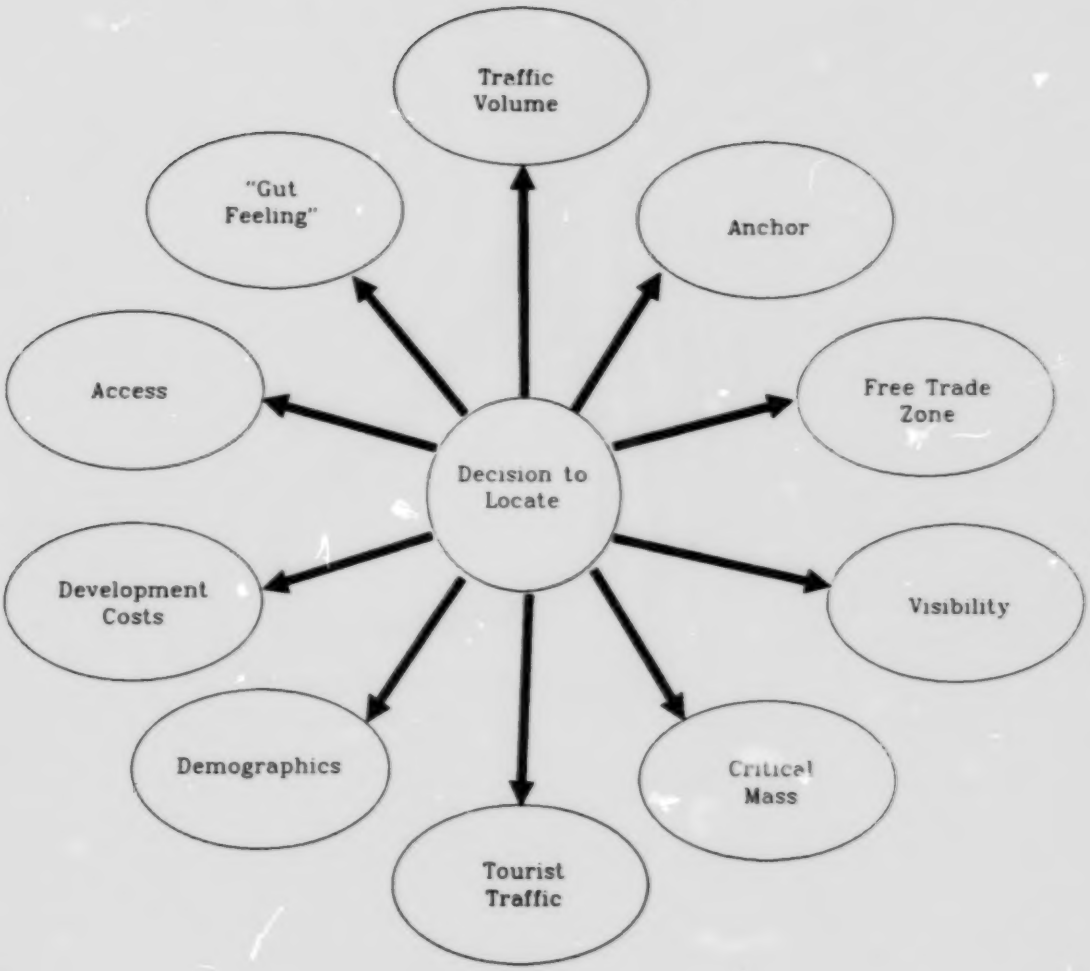


TABLE 3: OFF PRICE/OUTLET MALLS - MARKET AREA CHARACTERISTICS

MALL	OPENED	SQ.FT.	MARKET DATA
North Conway N.H.			
Willow Place	1988	46,120	Population (25 mile rad.) 21,200 Ave. household income $27,000
L.L. Bean Shopping Centre	1988	50,000	Not available
Liz Claiborne/Calvin Klein Factory Stores	1987	11,000	Not available
Mt. Washington Factory Outlet	1983	20,000	Not available
North Conway Factory Outlet Centre	1980	42,000	Tourist Area
Red Barn Factory Store	1985	50,000	Population (100 mi. rad.) 500,000 Traffic Count - 8,000,000 annually
Freeport, Me.			
Fashion Outlet Mall	1989	24,766	Population (trade area) 250,000 Tourists - 3,000,000 annually
42 Main Street Outlet	1985	25,000	Population (30 mi. rad.) 500,000 Avg. household income $28,900
Freeport Crossing	1989	54,000	Population (30 mile rad.) 500,000 Avg. household income - $29,000
The Freeport Outlet	1984/89	36,000	Population (30 Mile rad.) 500,000 Avg. household income - $29,000
The Holden Block	1987/88	45,000	Population (30 mile rad.) 500,000 Avg. household income - $28,900 Tourists - 5,000,000 annually
140 Main Street	1985	40,000	Population (30 mile rad.) 500,000 Avg. household income - $29,000 Tourists - 5,000,000 annually
The Porter House Shops	1987/88	10,800	Population (5 mile rad.) 11,060 Avg. household income - $25,222

TABLE 3: OFF PRICE/OUTLET MALLS - MARKET AREA CHARACTERISTICS - CONTINUED

MALL	OPENED	SQ.FT.	MARKET DATA
Kittery, Me.			
Kittery Factory Stores	1986	100,000	Population(100 mile rad.)5,000,000 Avg.Annual Traffic - 17,000,000 cars. Seacoast Resort Town
Kittery Outlet Centre	1984/86	50,000	Not Available
Maine Gate Outlets	1984	9,600	Population (20 mile rad.) 250,000 Avg. Annual Traffic - 20,000,000 cars
The Maine Outlet	1983-86	250,000	Not Available
Manufacturers Mall	1984/89	21,000	Not Available
The Outlet Mall of Kittery	1988	18,000	Population (20 mile rad.) 250,000 Avg. annual traffic - 20,000,000 cars
Spruce Creek Mall	1986	20,000	Not Available
Spruce Creek Outlet Centre	1987	21,000	Population (20 mile rad.) 250,000 Avg. annual traffic - 20,000,000 cars
Tide Water Mall	1984	20,000	Population (5 mile rad.) 100,000

Source: Value Retail News, The Book on Value Retailing, Vols. II and III, 1989 Edition

TABLE 4: SPECIFIC OUTLET - LOCATIONAL CONSIDERATIONS

Specific Outlet	Locational Considerations
Aileen Stores, Inc.	Population (5 mile rad.) 100,000 Avg. household income (AHI) - $24,000 Tourist 1,000 000/yr. Traffic Count (AADT) - 15,000 + cars
American Tourister Factory Outlet	Population (10 mile rad.) 100,000 A.H.I. - $35,000 Tourist areas
Bogner Outlet Store	Winter tourist areas
Calvin Klein Outlet	Tourist areas
Campers Factory Outlet	Population (30 mile rad.) 1 million A.H.I. $30,000 Tourists 5,000,000 annually
Carters Childrenswear	A.H.I. - $30,000 + Traffic count 30,000 + Suburban and tourist areas
Converse Factory Outlet	Locations are determined by the amount of sales that are generated by the converse full-price stores, suburban and tourist areas.
Dexter Store Factory Outlet	Population, income and traffic count vary by location and area.
Fanny Farmer Outlet Store	Suburban and Tourist Future stores to be located in outlet malls and outlet communities.
Harve Benard	Urban, suburban and tourist areas Prefer to locate in an area where there are no other apparel discounters.
Jonathan Logan Outlet	Population (25 mile rad.) 300,000 Average per capita income $20,000 Rural and tourist areas with average 20,000 daily traffic count. No downtown or off-price locations.
Kids Port U.S.A.	Population (3 mile rad.) 25,000 A.H.I. $25,000 Urban and suburban areas

TABLE 4: SPECIFIC OUTLET - LOCATIONAL CONSIDERATIONS (CONTINUED)

Specific Outlet	Locational Considerations
Kitchen Collection	Tourist areas with interstate visibility Pure factory outlet developments
Leather Loft	A.H.I. $40,000 Locations with strong tenant mix, high traffic count and easy highway access, tourist area
London Fog Factory Store	High traffic tourist areas 75 miles from major cities near major interstate
The Ribbon Outlet Inc.	Urban, suburban, rural and tourist areas with heavy foot traffic and interstate pass-by, true manufacturer outlet centres
Timberland Factory Outlet	Traffic count 20,000 - 40,000 cars daily, tourist area
The Wallet Works	Destination areas or projects consisting entirely of 100% manufacturers outlets

A.H.I.: Average Household Income
Source: Value Retail News, "The Book on Value Retailing", Vol. 1., 1989 Edition

factory outlet developments are characteristically located adjacent to major traffic flows (Interstate Highways, major arteries) and convenient exits from those traffic flows (if they are restricted access highways). Freeport and Kittery, for example, are both located adjacent to I-95, the major north-south interstate, and on U.S. 1, a major artery with unrestricted access. North Conway, N.H. is located on U.S. 16, a major artery (unrestricted access) with an annual traffic count in excess of 7,000,000 vehicles.In the telephone survey, 61% of those interviewed indicated proximity to major traffic flow as the essential ingredient in the success of their operation. The Director of the L.L. Bean store in Freeport indicated that the existence of the traffic on I-95 was one of two major reasons for the location of outlets in the community (the second reason was the presence of L. L. Bean in the community). Numerous developers, quoted in Value Retail News, indicate that significant traffic flow was the major consideration.

The existence of an "anchor" is critical to the success of factory outlet locations particularly in the early stages of development. An anchor is a major store with a regional or national reputation, or a major tourist attraction. In Freeport, L.L. Bean is the anchor; in Kittery, the Kittery Trading Post and in North Conway, the mountains and skiing are the major anchors, respectively. Anchor stores are not unique to the success of outlet malls, they are also essential in regular retail shopping centres. They attract customers for their own advantage and to the benefit of smaller outlets (or stores) nearby.

Access considerations play an important part in locating an outlet or outlet mall. This includes access from the interstate (convenient exit), access from the highway on which it is located (cutting across traffic, intersection location), vehicular movement from location to location, access to individual stores, pedestrian circulation and parking. Difficult and confusing access from major traffic arteries will frustrate shoppers and affect the shopping experience. Kittery, for example, is currently considering another exit off I-95 to better facilitate shopper access to the outlet locations. In Kittery and North Conway it is necessary to move by vehicle from mall to mall. Pedestrian circulation from mall to mall is minimal and sometimes hazardous due to traffic. On the other hand, in Freeport, it is possible to park your vehicle and visit most outlets in the community on foot.

Visibility is an important consideration in locating outlets. This includes visibility of the outlet mall/concentration of stores to the traffic and the visibility of individual outlets within outlet groupings. Roadside visibility serves as free advertising and entices passers-by to stop and shop. This is even more critical on the individual store level. For example, problems related to lack of visibility are forcing a mall developer in North Conway to move a major structure containing four stores to another location on the site despite the fact that the mall has only been open for one year. This renovation (valued at approximately $100,000) is necessary because the original poorly planned location of the structure severely limits the visibility of individual units from the nearby access road. This lack of visibility has resulted in poor sales according to one of the mall merchants interviewed.

The concept of critical mass is fundamental to the success of outlet centres. Critical mass is defined as the minimum number of retail outlets located in an area such that the grouping of stores becomes an attraction in itself capable of drawing customers to the site as a destination. In creating an outlet location, the anchor is essential to initially draw customers and to continue to do so after the area has become established as a shopping destination. At some point, however, the addition of new outlets will result in a sufficient number of outlets such that the community/area becomes a shopping destination. Twenty-seven percent of outlet operators surveyed by telephone considered proximity to other outlets as being most important to their success. Outlet operators are now indicating preferences for store locations in malls/groupings with other factory outlets, citing the "critical mass" effect as being a deciding factor.

Tourist traffic constitutes a major source of revenue for factory outlets. In Tables 3 and 4, mall developers and individual outlet operators indicate various criteria relating to tourist traffic. Tourists are prime targets for factory outlets because:

- They have money to spend;
- They have time to shop;
- During inclement weather they cannot pursue outdoor activities and when it is too hot they seek air-conditioned comfort;

- Surveys have consistently indicated that shopping is a recreational activity for tourists (Value Retail News); and
- If the resource base supports year-round tourism (i.e., as in North Conway), tourists constitute a full year market.

Demographics, that is, the distribution and statistical description of population, are a factor in any retail feasibility analysis. As indicated in Table 3, developers and individual store operators consider population distribution and average annual household income as one factor in deciding on the location of a retail outlet. In the telephone survey, however, few of the operators interviewed considered proximity to a major population base as essential compared with other criteria. Furthermore, discussions with operators during the field trip revealed that very few local residents (immediate community) actually shopped at the factory outlets. Clearly, demographics is only one of the factors to be considered.

Increasingly, development costs are playing a part in the decision process on where to locate outlets. Locations like Freeport, Kittery and North Conway have seen sharp increases in land values such that stores other than factory outlets are being forced out of the community. Existing traditional businesses are selling to outlet developers to capitalize on the high land values and traditional business cannot afford to locate adjacent to outlets when faced with high costs of property acquisition. One of the original advantages in locating factory outlets outside urban areas was the lower land values. This advantage is disappearing.

The "Free Trade Zone" concept has nothing to do with the Free Trade Agreement. It refers to the minimum distance that manufacturers will locate factory outlets from their wholesale accounts. When the factory outlet phenomenon started, manufacturers were very reluctant to jeopardize regular wholesale accounts in existing stores by placing outlets too close to them. Manufacturers faced the threats of having their product line dropped by stores that felt threatened by outlets. According to Value Retail News, the minimum distance of outlets from department stores was 29 miles in 1983, 21.8 miles in 1985 and 18.9 miles in 1988. This trend indicates that regular stores are becoming more accustomed to and less

threatened by outlets; and manufacturers are not as threatened by the loss of wholesale accounts because of their own retail outlet activities.

This concept has particular applicability to Canada where the relationship between manufacturers and retailers is much stronger and, as a result, the free trade zone pressures will be greater.

Ultimately, although all of the locational factors discussed in this section will play a part in the decision on where to locate a factory outlet, the final decision frequently depends on the "gut feeling" of the developer. This point was made quite strongly by the developer representative interviewed. Whereas the nine other criteria are a science, "gut feeling" is an art based upon the experience of the developer.

4.2 Operational Considerations

There are a number of operational considerations which constitute development criteria in relation to the establishment of factory outlets:

- Labour availability;
- Store size requirements;
- Access to wholesale product; and
- Seasonal operations.

Identified in the telephone survey and confirmed during field investigations, **shortage of available staff** constitutes a major problem in the three outlet areas visited. Unemployment in these areas is almost non-existent and Help Wanted signs were found in most stores. A survey by American Demographics predicts that in the five year period from 1987 to 1993, the 15 to 24 year old age group from which the retail market draws heavily for its lower level sales staff will shrink by 9.9 percent. This, coupled with low birth rates and high abortion rates (J. Nesbitt, Reinventing the Corporation), will result in increased shortage of entry level workers before the end of the decade. Thus, the availability of suitable staff will become a factor influencing the success of retail outlets and ultimately the decision to develop such outlets.

Store size requirements will be relevant as development criteria, particularly in the context of adaptive re-use of older structures. The actual square footage requirements vary by store type, but adequate square footage in adaptive re-use situations will be a factor as well as municipally mandated parking space for the development.

Access to wholesale product constitutes a major constraint in the development of factory outlets. The Director of the L.L. Bean Store in Freeport indicated that his firm is experiencing problems in generating sufficient quantity and diversity of goods for its outlets in Freeport and North Conway and this difficulty will temper any future expansion plans. Many manufacturers are now having planned overruns in production. The main order goes to the wholesale clients and the overrun to their outlets. In the telephone survey, several operators indicated problems with supply from their manufacturers. Value Retail News has indicated that outlet and off-price stores typically include from 15% to 80% of outside goods in their outlet product offering due to the problems of generating sufficient goods themselves.

Seasonal operations also present a major concern to outlet operators. Some outlet locations have the luxury of being year round shopping and recreation destinations, but, particularly in the New Brunswick context, seasonality of operations will be a major constraint in development.

5.0 INFRASTRUCTURE REQUIREMENTS

5.1 Municipal Infrastructure

Municipal infrastructure requirements in relation to establishment of value retail merchandising outlets consist of soft and hard infrastructure. Soft infrastructure includes municipal planning, zoning and the effective enforcement of these regulations, and an appropriate form for communication and cooperation between the municipality and the merchants. Hard infrastructure includes parking, water/sewer service, streets, sidewalks and fire and policing services.

5.1.1 Soft Infrastructure

Discussions with municipal officials and industry representatives during field investigations confirmed that the outlet developments in Freeport, Kittery and North Conway had developed, particularly in the early stages, without the benefit of **planning controls**. This resulted in numerous problems which are now difficult to resolve. Those interviewed indicated that effective municipal planning input was critical at the early stages of development. The three communities involved have recently hired planners/code enforcement officers and have created planning review boards, but, in many cases, problems could have been avoided if this had been done earlier.

It should also be recognized that the situation in New Brunswick vis-à-vis planning controls differs from that in Maine and New Hampshire. New Brunswick has a Department of Municipal Affairs with powers and responsibilities in municipal planning. The Community Planning Act provides Provincial legislation governing the planning process in both the municipalities and the unincorporated areas (under the direct jurisdiction of the Department of Municipal Affairs). Incorporated municipalities (cities, towns and villages) may establish planning controls for land use and development within their area of jurisdiction including a municipal plan, implementing zoning bylaws, and other regulatory instruments. Within the unincorporated areas, the Department of Municipal Affairs may prepare an area plan and regulations for designated areas.

The Community Planning Act also contains sections relating specifically to shopping centre development in both the unincorporated areas and incorporated municipalities. These sections are:

81.1 No shopping centre may be developed in an unincorporated area except with the approval of the Lieutenant-Governor in Council upon recommendation of the Minister of Municipal Affairs and in accordance with the terms and conditions specified by the Lieutenant Governor in Council.

81.2 No shopping centre having an area of 18,580 square metres or more of floor space may be developed in the Province except with the approval of the Lieutenant-Governor in Council upon the recommendation of the Minister of Municipal Affairs and in accordance with the terms and conditions specified by the Lieutenant Governor in Council.

Section 81.1 requires Cabinet approval for all retailing facilities greater than 16,000 square feet of Gross Leasable Area (GLA) proposed for development in unincorporated areas. The criteria for approval tends to be one in which larger retailing facilities oriented to the urban market should be located within the incorporated municipalities while small retail facilities serving strictly a local market could be located in unincorporated areas. Thus, establishing a value retail mall facility would likely require development within an incorporated municipality (T. Jellinek, pers. comm).

Most municipalities in New Brunswick have adopted some form of planning legislation to enable them to regulate and control development.

Specific aspects of the planning process are of particular importance. The Municipal Plan generally provides policy guidance in terms of where development should occur. The regulatory control of development and land use is contained within specific zoning bylaws which implement the land use policies in the Municipal Plan. A building permit will not be issued for a project unless it is in conformance with the relevant zoning by-law.

There is effectively no corresponding planning agency or legislation in Maine and New Hampshire as the state has ceded many of these responsibilities to the municipalities. Furthermore, in Maine and New Hampshire, the relationship between government and private enterprise is different, reflecting the laissez-faire relationship between business and government prevalent in the United States. The communities surveyed expressed regrets at not having effective zoning and enforcement of planning controls at early stages in the development of factory outlets in their municipalities.

The second form of "soft infrastructure" at the municipal level that is an essential component of value retail store development is **effective communications** between the municipality and the merchants involved. The Director of the L.L. Bean store indicated that a great deal of the success in the development in Freeport could be directly attributed to effective communications and a good working relationship between the merchants and the municipality. This allows for better understanding of each other's goals and needs and better cooperation in dealing with common problems. Representatives of the Kittery Chamber of Commerce indicated that they felt that this was important although they admitted that the communication between Kittery and area outlet operators/developers was just beginning.

Basic to effective communications between the municipality and value retail outlet operators is the creation of a forum to discuss common concerns and opportunities arising from outlet development. When the decision has been made to proceed with a value retail development and while the project is in the design stage, a liaison committee including representation from the developer, value retail merchants to be located in the development, the municipality, local planning and development agencies and local merchants will assure effective communities between all concerned parties. This committee should be set up under the auspices of the municipality with the co-operation of the developer.

5.1.2 Hard Infrastructure

The nature of the outlet development will determine the costs and extent of **water/sewer work** required pursuant to that development. Adaptive re-use of industrial structures or conversions of existing malls for outlet use would engender few

additional costs for water/sewer work as the necessary facilities are likely in place. The opening of outlet malls or strip centres, particularly where they are located outside or at the outer limits of municipal areas, could involve significant costs for water/sewer work. If the development is located in an unincorporated area or local service district it would be entirely up to the developer to install water/sewer facilities to provincial standards. If the development is located within a municipality and accessible to municipal services (water/sewer), significant costs could be involved in hook-up and, possibly, extension. The Town of Kittery used a novel means of providing water/sewer services to an outlet mall. An agreement was worked out with the developer whereby the developer funded the water/sewer work and the municipality assessed user fees to individual operators within the mall, then returned those fees to the developer. It was, thus, a long-term loan from the developer at no cost to the municipality.

Parking is a major infrastructural requirement for any commercial development. Municipal plans normally stipulate the number of parking spaces required to support each facility. Outside municipal areas, parking is the responsibility of the developer and is generally market driven - if the developer does not supply adequate parking, customers will not stop. In municipal areas, installation of outlets would overload existing parking facilities placing pressure on the municipality. In Freeport, for instance, the municipality actually granted a variance from existing municipal regulations in relation to parking requirements, allowing stores to develop without provisions for adequate parking in order to entice stores to locate in the town. Freeport is presently paying the price for that action in traffic congestion and now has strict requirements for parking to be provided in relation to any new mall developments. They are also building municipal parking lots and passing the costs on to the outlet operators.

Streets and sidewalks must be intelligently planned and effectively managed to assure optimum traffic circulation and pedestrian movement. The presence of value retail establishments in a community will, due to increased traffic, involve extra costs for maintenance of roads, traffic circulation control (signage, lights, etc.) and potentially, widening of roadways. Increased pedestrian movement would involve the need for sidewalks, garbage receptacles and crosswalks and increase pressure for attractive street landscaping.

The establishment of value retail developments would also increase **police and fire service** requirements. This is particularly true of policing services. In all three locations, vehicle related problems (i.e., traffic infractions, accidents, liquor infractions) have increased rapidly as the outlets developed. The increased traffic has put pressure on the local police forces in those areas. Fire service requirements have also increased due to responsibility for fire suppression and prevention in an increased number of establishments.

5.1.3 Municipal Infrastructure Requirements (Summary)

This section summarizes the municipal infrastructure requirements as described in 5.1.1 and 5.1.2.

- Assure that adequate planning controls are in place for any municipality considering development of value merchandising outlets. Provincial planning controls should be established to cover those areas outside municipal boundaries;

- Establish a government/developer/merchant forum at the beginning of the development process to assure effective communication and cooperation at all levels;

- For developments within municipal boundaries, establish a funding formula in conjunction with the developer such that dollar costs to the municipality are minimized;

- Assure that parking requirements in relation to developments located within municipal boundaries are scrupulously observed from the beginning of development and, if possible, increase the parking requirements to compensate for the large traffic volumes which the outlets stimulate; and

- Allowances must be made for increased demands on police and fire services.

5.2 Food, Accommodation and Other Services

Service infrastructure is an essential component of any proposed value retailing development, to retain visiting shoppers in the area to maximize revenue to merchants and to the community in general. Service infrastructure includes accommodations (i.e., hotel/motel, bed and breakfasts, campgrounds), food services (i.e., restaurant, take-outs, grocery outlets) and vehicle services (i.e., gas station, mechanical and towing service).

In the telephone survey, 88 percent of operators interviewed felt that the existence of support services was very important to the success of their business. Interviews during the field investigation confirmed this opinion and, in fact, identified the lack of services as a constraint.

Service infrastructure is, essentially, a private sector responsibility and opportunity. The development of a value retailing centre will stimulate traffic, creating a demand for services. Value Retail News indicates that "food courts" (groupings of food service outlets) are achieving increasing popularity in factory outlet malls.

6.0 POTENTIAL FOR VALUE RETAILING IN NEW BRUNSWICK

In this chapter, eleven potential locations in New Brunswick are evaluated against the ten locational criteria developed in Chapter 4 to assess the potential for development of value retail facilities in New Brunswick. Potential products suitable for value retail merchandising in New Brunswick and provincial manufacturers producing those products are examined to assess their applicability for value retail merchandising.

6.1 Selection of Sites for Assessment

To assess the potential for value retailing in New Brunswick, eleven locations were selected for evaluation against the locational criteria developed in Section 4.1 and graphically illustrated in Figure 4. The eleven sites are distributed throughout the Province in order to give equitable distribution consistent with one of the major thrusts of Toward 2000 - An Economic Development Strategy for New Brunswick. This thrust involves a commitment to "achieve equity in regional economic development efforts". In addition, the commitment to a "gateway system that will give a strong sense of arrival and an invitation to stay and visit", as expressed in the recently released Tourism Strategy Toward the Year 2000, was considered.

Within the requirements for province-wide and entry point distribution, specific locations were chosen based on anticipated traffic volumes, the existence of some form of anchor, tourist traffic and demographics.

The locations chosen for analysis are as follows:

- St. Stephen;
- Woodstock;
- Grand Falls/Edmundston;
- Sackville;

- St. Andrews;
- Sussex;
- Bathurst;
- Newcastle/Chatham;
- Moncton;
- Saint John; and
- Fredericton.

These locations are illustrated graphically in Figure 4.

6.2 Application of Locational Criteria

6.2.1 Methodology

The eleven sites are measured against the locational criteria described in Section 4.1 by the use of an evaluation grid. Each of the ten locational criteria are assigned a weighting appropriate to the importance of that criteria in locating value merchandising outlets. Each of the eleven sites will be scored in relation to each of the criteria. Totalled scores for each location allow ranking of the locations in order of suitability for value merchandising outlet development.

The weighting for each individual criteria is based upon the results of the literature review, the telephone survey and the field trip and reflect the relative importance attached to the criteria by developers. The actual weighting scores are subjective but are the most effective means of reflecting the relative importance of individual criteria. For example, traffic volume and the existence of an anchor are widely regarded in the value retail industry as the two most important factors in deciding to

FIGURE 4: POTENTIAL NEW BRUNSWICK VALUE MERCHANDISING LOCATIONS

develop a specific location. Free trade zone, visibility, critical mass and tourism traffic are regarded as being equally important but less critical than the first two criteria. The difference in weighting (20 vs. 15) is subjective.

To put the individual and total point ratings in perspective, the grid also includes scoring for Freeport, Me., an established factory outlet location, and Ellsworth, Me., the proposed location of future L.L. Bean Factory Outlet.

The weighting assigned to each locational criteria are as follows:

Criteria	Weighting
Traffic Volume	20
Anchor	20
Free Trade Zone	15
Visibility	15
Critical Mass	15
Tourist Traffic	15
Demographics	10
Development Costs	10
Access	10
Gut Feeling	10
Maximum Possible Score	140

Individual locational criteria are defined in Section 4.1. The maximum possible scores assigned to each of the criteria reflect its relative importance in the decision making process to locate a value merchandising outlet in a specific location. The total absence of any one specific criteria does not preclude development although it would mitigate against it. The ultimately subjective "gut feeling", however, is frequently the single deciding factor but it should be considered that the other nine locational criteria contribute largely to that gut feeling.

6.2.2 Evaluation Grid

The evaluation of each individual location in New Brunswick as well as the two "benchmark" locations (Freeport, Me. and Ellsworth, Me.) against the ten locational criteria is contained in detail in Appendix "E" and summarized in Figure 5. The data used in the evaluation process is summarized in Figure 6. Table 5 lists entries into Canada from the United States in 1988 by major border crossing. These figures are relevant to entry point locations analyzed such as St. Stephen, Woodstock and Edmundston.

The top five rated locations in New Brunswick as described in Appendix "E" were:

1. Moncton - The Moncton area, where the concept of value retailing outlets is already under consideration, ranked highest primarily on the basis of traffic volumes (year round and tourist traffic) and the existence of a breadth of attractions, services and shopping opportunities such as would constitute an anchor.

2. Sussex - The Sussex and Saint John areas were rated equal in potential for value retailing outlets. The Sussex area scored highly in the areas of traffic volume, tourist traffic and particularly in the "free trade zone" category. This is particularly relevant in that of the top four rated locations, Sussex is the only one that would not be restricted by "free trade zone" considerations, and thus, may be the only location of the top four which is actually viable for further consideration.

   Sussex's strength with regards to potential location of outlets lies with its strategic location in the centre of the Province at the intersection of two major traffic arteries - Route 1 and 2. The proposed re-alignment and twinning of the TCH (Highway 2) may have a substantial impact on this strategic location depending upon the affect the re-alignment has on the location of this intersection. Plans for the re-alignment are currently not firm and subject to availability of funding.

FIGURE 5: EVALUATION GRID – ASSESSMENT OF POTENTIAL VALUE MERCHANDISING LOCATIONS

		BENCHMARKS		NEW BRUNSWICK LOCATIONS										
CRITERIA	SCORE	Freeport, Me.	Ellsworth, Me.	St. Stephen	Woodstock	Grand Falls/ Edmundston	Sackville	St. Andrews	Sussex	Bathurst	Newcastle/ Chatham	Moncton	Saint John	Fredericton
TRAFFIC VOLUME	20	17	12	10	8	12	11	6	13	14	14	17	18	16
ANCHOR	20	20	20	10	7	14	7	13	12	13	7	16	16	14
FREE TRADE ZONE	15	13	3	13	13	8	9	14	14	3	3	2	2	2
VISABILITY	15	13	12	8	10	10	10	10	10	10	10	12	10	10
CRITICAL MASS	15	15	11	0	0	7	0	0	0	5	2	7	7	7
TOURIST TRAFFIC	15	15	14	7	6	10	12	8	12	7	8	13	12	11
DEMOGRAPHICS	10	10	4	4	5	4	5	4	7	4	4	5	6	6
DEVELOPMENT COSTS	10	4	4	6	6	6	7	7	7	6	6	5	5	5
ACCESS	10	8	7	5	5	5	4	5	5	5	6	6	5	5
GUT FEELING	10	10	10	7	4	5	4	7	9	3	3	8	7	6
TOTAL	140	123	97	70	63	82	68	73	88	70	63	91	88	82
RANKING	N/A	N/A	N/A	7	10	4	9	6	2	7	11	1	2	4

NOTE: Moncton, Fredericton and Saint John would likely be unsuitable for value retail outlet development due to free trade zone limitations. They are included because they are major centres of retail activity in the Province.

FIGURE 6: SUMMARY OF DATA USED IN LOCATIONAL ANALYSIS FOR NEW BRUNSWICK LOCATIONS

DATA	POTENTIAL NEW BRUNSWICK LOCATIONS										
	St. Stephen	Woodstock	Grand Falls/ Edmundston	Sackville	St. Andrews	Sussex	Bathurst	Newcastle/ Chatham	Moncton	Saint John	Fredericton
TRAFFIC VOLUME (1988)											
AVERAGE ANNUAL DAILY TRAFFIC (VEHICLES)	8,260	7,100	9,050	10,650	4,150	9,750	11,590	11,950	19,490	25,430	16,020
ANNUAL TRAFFIC (millions of vehicles)	3.0	2.6	3.3	3.9	1.5	3.6	4.2	4.4	7.1	9.3	5.8
TOURIST TRAFFIC (PERSONS)											
1983 AUTO-EXIT ('000)	613	655	878	1,078	98 613	959	382	252	414 853	608	663
REGIONAL VISITATION (1986) ('000)	800	300	300	950	800	800	650	650	950	800	750
DEMOGRAPHIC DATA (1986)											
POPULATION	5,035	4,550	6,210	5,470	1,815	4,115	14,680	12,025	55,465	76,380	44,350
POPULATION ('000) (100 KM RADIUS)	235	205	145	240	210	340	175	165	230	260	295
AVERAGE HOUSEHOLD INCOME ($)	25,856	27,018	28,262	29,576	31,295	29,688	29,281	27,464	31,310	28,089	34,215

NOTE: For Moncton and St. Andrews, the top 1983 Auto-Exit count represents the count within the center itself; the bottom count represents the count on the highway adjacent to the center.

SOURCES: NBDOT Traffic Flow Map, 1988; Census of Canada, 1986; Canadian Travel Survey, 1986; Auto-Exit Survey, 1983; WMS, 1989.

TABLE 5: CROSS BORDER TRAFFIC BETWEEN MAINE AND NEW BRUNSWICK - 1988 (VEHICLES)

CROSSING	U.S. ENTERING CANADA	CANADIANS RETURNING FROM U.S.	TOTAL
Andover	52,815	233,944	286,759
Centreville	15,613	100,510	116,123
Clair	149,783	354,562	504,345
Edmundston	323,027	951,986	1,275,013
Grand Falls	23,942	366,361	390,303
St. Leonard	122,871	390,421	513,292
Milltown	62,258	372,405	434,663
St. Stephen	244,872	1,158,197	1,403,069
St. Croix	26,573	101,446	128,019
Woodstock	114,402	413,504	527,906
TOTALS	**1,136,156**	**4,443,336**	**5,579,492**

SOURCE: Statistics Canada, Border Crossing Statistics, Dec. 1988

From a tourism industry perspective, location of potential value retailing outlets in the Sussex area has several advantages. The location of Sussex in the south-central part of the Province would encourage outlet shoppers to remain longer in the Province and provide opportunities to market New Brunswick attractions. Sussex is strategically located to take advantage of tourist attractions and facilities in Fredericton, Moncton and Saint John.

3. Saint John - The Saint John area rated highly due to large traffic volumes (year round and tourist) and the existence of an "anchor" composed of the broad range of attractions, services and shopping facilities. The location also achieved some critical mass due to the range of shopping opportunities. The major weakness associated with a Saint John location would be the "free trade zone" implications.

4. Fredericton - Fredericton and Grand Falls/Edmundston rated fourth highest. The Fredericton area benefitted from high traffic volumes (year round and tourist) and an "anchor" composed of the array of attractions, services and shopping opportunities in the area. Fredericton is strategically located in the centre of the Province at the juncture of several major traffic arteries - Routes 2, 3, 7, 8 and 10. The major weakness of the Fredericton area in consideration of potential location of outlets is due to "free trade zone" limitations. Fredericton is a growing regional shopping destination with many brand name stores. There are several "factory outlets" in the city but they are relatively insignificant in terms of their impact on the Fredericton retail market and they are not truly value retailing outlets in that they do not offer significantly discounted prices.

5. Grand Falls/Edmundston - The Grand Falls/Edmundston area scored relatively high in terms of traffic volumes (year round and tourist) and in the existence of an "anchor" composed of the array of attractions (year round), services and shopping opportunities. Free trade zone considerations were less of a constraint in this area than in Moncton, Fredericton and Saint John, as a potential facility could be located in the area so as to minimize conflict with existing retail operations. There are more free trade zone implications for this area, however, than for the Sussex area.

Of the five top rated potential locations in New Brunswick, Fredericton, Saint John and Moncton could be severely impacted by "free trade zone" constraints. According to industry sources in the United States, these constraints are real and seriously considered by manufacturers in their planning. In fact, the accepted 30 kilometre (1988) standard in the United States may actually be greater in Canada where the relationship between the manufacturer and their wholesale accounts is much stronger. Due to the relative absence of value retailing facilities in Canada and the resulting lack of research into the concept in the Canadian context, the free trade zone, although it will exist, has never been defined.

If the assessed scores for "Free Trade Zone" and "Gut Feeling" for the five top rated locations in New Brunswick (from Figure 6) were removed, the locations would be ranked in the following order:

1. Sussex
2. Grand Falls/Edmundston
3. Moncton
4. Saint John
5. Fredericton

This ranking, in view of "free trade zone" constraints, is more accurate and realistic.

The remaining six locations investigated were ranked as follows:

6. St. Andrews - St. Andrews, as one of the Province's primary tourism destination areas, rated highly in the areas of anchor and free trade zone. Although it is a tourism destination area, the traffic volumes (year round and tourist) were not as high as those for the locations in the top five.

7. St. Stephen - St. Stephen and Bathurst were rated equal in potential for value retail outlets. St. Stephen was rated highly in terms of free trade zone implications and gut feeling and modestly for traffic volumes relative to other locations. The rating for St. Stephen was based upon the proposed location in

the Ganong factory building and without the proposed trucking bypass and extra border crossing.

Of concern to proponents of a St. Stephen value retail facility should be the planned value retail facilities in the Ellsworth area. L.L. Bean has decided to locate a factory outlet in Ellsworth and thus, in conjunction with the presence of Acadia National Park and the attractions and services associated with the Bar Harbour area, constitutes a formidable anchor. Ellsworth is only 190 kilometres from St. Stephen and the location of outlets in Ellsworth will affect the potential market for such facilities in St. Stephen.

8. Bathurst - Bathurst rated highly for yearly traffic volumes and anchor but was subject to free trade zone implications due to the role of the community as a regional shopping destination.

9. Sackville - Sackville, as a potential location for value retailing outlets, was rated highly in terms of traffic volumes (full year and tourist) but only achieved modest scores in other categories. Specifically the area was lacking a suitable critical mass and had only modest potential for an anchor.

10. Woodstock - Woodstock is strategically located with regards to the border crossing to Houlton, Me. and the connection with I-95 a primary north/south interstate for New England. Traffic volumes, however, are not sufficient for the location to be considered as a potential outlet location. In addition, there is a lack of anchor and critical mass.

11. Newcastle/Chatham - The Newcastle/Chatham area rated highly for total annual traffic and moderately for tourist traffic. In all other areas, however, the area rated low against the locational criteria.

6.3 Infrastructure Requirements

This section will describe typical infrastructural requirements, specific to New Brunswick, which could be applied to any of the locations assessed. With the exception

of St. Stephen, the potential locations could involve sites in a municipality or in the adjacent unincorporated area. There are two types of municipal infrastructure which may be affected by the development of value retail merchandising outlets: soft and hard.

Soft infrastructure is comprised of the regulatory mechanisms to regulate and control the use of land within a municipality or in the unincorporated portions of the province. Soft infrastructure also includes the communication mechanisms available for coordinating the ongoing operations of various business activities within a community.

Hard infrastructure refers to the various physical services provided to and affected by a value retailing mall. These include: water and sewer services; parking facilities; traffic congestion; pedestrian movement; and other municipal services.

Municipal Planning

The degree of regulatory control on the actual location of a value retail mall will depend on whether it is to be developed in a municipality (and then whether or not the municipality has adopted various land use regulatory mechanisms such as a Plan, Zoning By-law and so forth) or in the unincorporated areas outside the municipal boundary. In the latter case, regulation over the use of land is a provincial matter in the hands of the Department of Municipal Affairs. Planning approvals, in this case, are handled by the Provincial Planning Committee.

In either case, there is a need for the development of appropriate planning guidelines to assist in the approval of this innovative retailing concept. These guidelines should incorporate items such as size of the facility, parking provision, traffic circulation on and off the site and landscaping requirements. The development of these guidelines should be based on the experiences and designs of successful value retail malls in other areas (particularly in the nearby New England States).

In addition, as this innovative approach will undoubtedly impact the existing retail structure and other aspects of the local and regional community, an unbiased socio-economic impact assessment should be undertaken prior to a public hearing on the

application and subsequent development approval. Such an impact assessment should be paid for by the developer as part of the initial application fee, but be commissioned and monitored by either the municipality involved or the Department of Municipal Affairs in the unincorporated areas. The issues which should be addressed by a socio-economic impact assessment include the impact of the value retail mall on local and out-of-town employment, existing retail structure both within the municipality and in the surrounding trade area, community cohesion and quality of life, municipal service provision, traffic and pedestrian movement and economic costs and benefits.

Currently, the Community Planning Act (Section 81.1) restricts the development of shopping centres in the unincorporated areas of the province and requires approval from the Lieutenant-Governor-in-Council if a facility is to be built. If a value retail mall is defined as a shopping centre under the Act (there should be no reason why this should not be the case), then restrictions would likely be placed on its development in unincorporated areas.

Within incorporated municipalities, it is up to each community to define its own planning regulations under the authority granted to it from the Community Planning Act. Developing a value retail mall may require amendments to the Plan and the Zoning By-law regulating the permitted use of the specific lots selected for the mall. The procedures for processing the relevant amendments are spelled out within the Act. Informing the community of the intended changes to the Plan and/or Zoning By-law requires the publication of suitable notices in the local press and the holding of a public meeting to deal with objections, if any, to the proposed facility. Commissioning an independent socio-economic impact assessment of the proposed mall prior to the public meeting should provide adequate data for both the proponents and opponents to assess their respective positions.

If a proposed value retail mall is to have a GLA of more than 18,580 square metres (approximately 200,000 square feet), approval by the Lieutenant-Governor in Council is required under Section 81.2 of the Community Planning Act. This approval is considered subsequent to the approval being provided by the municipality involved.

In smaller villages and towns within the province, professional planning staff is generally not available to: first, oversee the necessary amendments to the planning legislation, and then, to monitor the impacts of the development. Thus, the development of an outlet/off-price facility in these circumstances may lead to additional costs and problems within the municipality as outside professional consulting assistance will likely be required.

Commercial Sector Communication

A number of the tenants of existing value retail malls and residents in the New England municipalities surveyed indicated the establishment of these facilities led to conflict and confusion in the overall operation of the commercial sector of the community. These conflicts and confusion were blamed on the lack of effective communication among all the participants in the commercial sector. One of the difficulties faced was the relatively rapid introduction to the social and commercial fabric of the community of outside managers and staff. In small rural communities, there is often a closely knit communication process built up over decades of mutual interaction among family members and friends. This communication process tends to exclude newcomers to the community, at least in the initial stages. The result in New England communities which have experienced outlet development seems to have been the development of two divergent sectors of the local commercial community - the "establishment" and the "newcomers".

Bridging the gap between the established commercial sector and the outlet/off-price mall tenants and managers is difficult. Often an intensive effort by the newcomers to inject themselves into the community is required. One of the major problems faced by the value retail mall is the "truncated" management styles used by regional and national chain stores locating in these facilities. Truncated management implies the local manager is very restricted in his/her abilities to commit the store to participate in local events. Often, prior authority from the headquarters operation is required to enable such participation. Obtaining such authority may be time consuming and difficult.

The lack of participation in local events (i.e., charity drives, sports sponsorships, Christmas and other parades) by the value retail mall tenants is often seen by the local retailers as a measure of their lack of interest in the community.

This issue of the lack of effective communication between the local commercial community and the value retail mall can be a source of considerable irritation and frustration (as has been indicated in the interviews). This matter should be addressed in the initial stages of considering the development of a value retail mall. Efforts must be made to involve the local Chamber of Commerce, regional development commissions and others with the mall developer and major tenants to ensure all parties understand the need for effective communications and the establishment of appropriate communication mechanisms among all relevant parties.

Water and Sewer Services

The degree of pressure on water and sewer services by a value retail mall depends on the specific location of the facility. The major issue involves the ability of the existing system to handle the load placed on it by the development of the mall.

If the value retail mall is proposed to be developed within a municipality, the issue of water and sewer servicing becomes one of whether or not the municipality's trunk water and sewer mains service the site or whether an extension is required. If an extension is required, the question then is who should pay for it: the developer or the municipality? Normally, the question of service availability is a major criterion for the site selection process, and thus, extensions, if any, are minimized. However, extension costs may remain. Often municipalities feel compelled to contribute to the development of a value retail mall by extending services to the site. The municipality must weigh the cost involved against the overall benefits such a facility contributes to the community, such as employment, increased property taxes, expanded assessment base and so on. Such compulsion to contribute to the development may result from the mall developer playing one municipality against another in their competitive bids to attract additional assessment to their community.

Another related issue within the municipality is the current surplus capacity of the existing water and sewer system and whether or not the mall will overtax the existing facilities or use up the excess capacity preventing further development without a major expansion of the existing system. The key issue in this case is whether or not the development of a value retail mall is the best way to utilize the system's surplus capacity. Are there other possible developments which might benefit the municipality more? Again, a careful, comprehensive socio-economic impact assessment of the proposed facility may provide direction to the municipality in using its existing infrastructure.

In the unincorporated areas and also in the unserviced areas of municipalities, water and sewer services are generally provided by a well and septic tank or package sewage treatment system.

In the case of a well, the use of considerable amounts of groundwater for the operation of the value retail mall may lead to excessive draw down of the groundwater table. This draw down, in turn, reduces the amount of water available for other well users in the immediate area. This may, in turn, force these users to deepen their wells, adding to their personal costs. The degree of draw down is site specific and relates to the permeability of the groundwater aquifer.

The handling of waste water from the mall poses another problem. The ability to effectively use a septic tank system is site specific and depends on the permeability of the receiving soil. Approvals from the Department of Environment and the Department of Health are required for such septic systems. The provision of a more sophisticated package treatment plant to handle the waste water may pose potential pollution problems in the future for the community (depending on the degree of plant monitoring and maintenance). Again, approval of the Department of Environment will be required, prior to installing such a facility.

Parking Facilities

A value retail mall by its very nature is an automobile-oriented facility; hence, the provision of suitable parking space for all potential customers is of paramount importance in the design of the mall.

Parking provision standards are readily available for shopping centres. These are often incorporated within the relevant sections of municipal zoning by-laws. However, these standards should be re-evaluated for use in value retail mall development. It may be that additional or less parking is required. Again, comparing current standards with the parking provisions of successful model value retail malls will ensure adequate parking is provided.

Care must be taken to avoid the problems cited in the case of Freeport, Maine, where in order to attract initial facilities to the community, the municipality waived parking requirements. The subsequent congestion and complaints are now forcing Freeport to develop off-street parking facilities at a time when land prices have escalated considerably.

Adequate provision for parking must be planned in advance. Mall developers should not be permitted to negotiate a reduced provision of parking space. Such space should be provided by the mall developer as part of the overall project.

Traffic Considerations

Similar to the provision of adequate parking space, the congestion and interference resulting from the additional traffic generated by value retail mall patrons needs to be addressed.

Typically, these facilities seek a suitable location in conjunction with other outlets, shopping facilities and shopper services (thus adding to the traffic problems which may already be in place) and readily accessible to a major highway (hopefully, reducing the need for non-resident traffic on municipal streets).

In many cases, the existing street network has a limited capacity to absorb additional traffic flow. Extra traffic generated by the value retail mall may result in a decrease in the level of service on approach roads to an unacceptable point. Such a situation can be offset by the investment of scarce financial resources for various remedial measures such as the construction of additional traffic lanes by road widening, the provision of turning lanes into and out of the facility and the installation of traffic lights to regulate traffic flow and so forth. The question again arises, who should pay for these roadway improvements - the municipality or the mall developer?

In a competitive situation, the mall developer may be able to gain concessions on this matter from a municipality. Traffic engineers have developed simulation modelling techniques which provide information on the marginal impacts of defined traffic generators such as shopping centres on existing roadway networks. Evaluating the effect of these impacts on future levels of service on the access roads enables remedial measures to be proposed and costed. Such costs should be included in the municipality's overall socio-economic impact assessment of a proposed value retail mall.

Access to and from major highways to a proposed facility may effect the current level of service on both the highway (a matter of considerable current interest with respect to the Trans-Canada Highway in New Brunswick) and the access points/ramps. Consideration of this factor is likely within the domain of the Department of Transportation, but it should be accounted for within the impact assessment.

Pedestrian Movement

Internal pedestrian movement within the value retail mall property remains a design feature for the mall developer to consider. However, given the nature of these developments in other centres, invariably, patrons will wish to access, on foot, other nearby activities such as an adjacent shopping centre or other value retail facilities. Providing a safe, convenient and often an aesthetic pedestrian system becomes a further cost associated with project development.

As the pedestrian system is off-site, the question of who pays for it arises. The municipality and the mall developer should address this matter early on in the approval process.

Other Municipal Services

The development of a value retail mall will generate additional demand on a host of services typically provided by municipalities. Increased police and fire protection will be required adding to the municipal costs. In addition other services may be required including building inspection, traffic engineering, public works and so on. Although the marginal cost of providing additional services may be offset by the added property taxes generated by the value retail mall, they should be accounted for in the impact analysis.

6.4 Potential Products Suitable for Value Retailing

6.4.1 Existing Factory Outlets

As defined in Section 3.1, factory outlets have historically consisted of space allocated within a manufacturer's operation where slightly flawed goods were sold. A more current definition (from Section 3.2) is a store operated by a manufacturer to market its goods.

In New Brunswick there are a limited number of factory outlets distributed throughout the Province. These outlets are consistent, for the most part, with the above definitions. New Brunswick outlets are listed in Table 6.

With the exception of the Island Beach Co. Factory Outlet and Benetton, the outlets listed market the products of a specific New Brunswick manufacturer in a location attached to or near the point of manufacture. Of that group, only Hartt Shoes sells seconds in their outlet store. The other stores sell first line products at regular or premium prices.

TABLE 6: NEW BRUNSWICK OUTLET OPERATIONS

Outlet/Manufacturer	Employees	Location	Product Sold
Chemise J.M.L. Ltée J.M.L. Shirt	50-65	Edmundston	Shirts, assorted mens and ladies clothing
Tisserands Madawaska Weavers Ltd.	36-37	St. Leonard	skirts, mufflers,neckties, napkins, tablecloths
Hartt Shoes, A Division of Church & Co. (Canada) Ltd.	130-155	Fredericton	men's boots and shoes
Wheeler Accessories Ltd.	6-8	Fredericton	wallets, backpacks, bags
Island Beach Co. Factory Outlet	-	Fredericton	T-shirts, sweatsuits, (silkscreened products)
Loomcrofters	8	Gagetown	curtains, draperies, pillows, neckties, towels, rugs, afghans, tablecloths, napkins, mufflers, scarves
Briggs & Little Woolen Mills Ltd.	6-31	York Mills	spun yarn, blankets
Ganong Bros. Ltd.	200-275	St. Stephen	chocolate products, candy
Connor's Bros. Ltd.	400-600	Blacks Harbour	canned and frozen fish products
Benneton Factory Outlet	-	Moncton	ladies clothing

Note: The number of employees listed for each firm is the total number including manufacturing and outlet operations.

Of specific interest with regards to the outlets listed in Table 6 are:

1) Hartt Shoes sell factory seconds in a small outlet attached to their factory. Signage and advertising are limited and the display of goods in the outlet is not particularly attractive. The goods sold, although carrying the Hartt name long associated with quality goods, are high priced relative to similar products offered in neighbouring Maine. They would have difficulty competing in the same marketplace and would not likely be marketable to customers having access to similar products in Maine;

2) Ganong Bros. operates a highly successful factory outlet on the main access road to the St. Stephen/Calais border crossing point. They market premium products at premium prices in the outlet. Goods are attractively displayed and an attempt has been made to create a productive ambience through occasional demonstration of candy making, provision of complimentary samples, displays of candy making artifacts and use of personable and knowledgeable sales staff.

3) The Connors Bros. factory outlet is not located in or attached to a fish plant but rather as a very small section of a hardware outlet, Harbour Home Supplies, a Connors Bros. owned business. The outlet consists of one small section of the store displaying Connors Bros. canned fish products (i.e., herring, sardines, anchovies) and several freezers with frozen fish products. The only advertising for the outlet is a sign at roadside; there is no sign on the store. The display is located in the middle of the store and is not immediately obvious, nor is it attractively presented. The outlet is obviously targeted at Blacks Harbour and Charlotte County residents and is thus quite consistent with the historical definition of a factory outlet as given in Section 3.1;

4) The Island Beach Company Factory Outlet and Benetton do not sell New Brunswick products. They sell the products of their respective manufacturers located out-of-province. Both stores market a limited amount of seconds from a small display located at the back of each store.

The outlets in Table 6 do not benefit, for the most part, from extensive marketing of their product. Ganongs promotes the overall Ganong products provincially, nationally and internationally but there is no specific marketing effort in relation to the Ganong outlet itself; success has been on the strength of the product reputation and the large volume of traffic passing by the door. Benetton carries out limited local advertising in conjunction with the lessees in Champlain Mall but does not particularly market the factory seconds.

The firms involved in the factory outlets listed in Table 6 vary in size from 600 employees (Connors) to a minimum of six employees (Wheeler Accessories and Briggs and Little). The firms market their product to regular wholesale accounts as well as through their outlets themselves. The outlet sales generally present only a minuscule portion of their total sales.

The products marketed at New Brunswick outlets are not unique to New Brunswick. Although it can be argued that each manufacturer can present his own unique interpretation of product type, similar products are available from other manufacturers in Canada and the United States.

The locational criteria for value retailing establishments (factory outlets), as developed in Section 4.1, was not a consideration in opening the New Brunswick outlets listed. The primary criteria was proximity to the manufacturing activity and the desire of the manufacturer to take advantage of a potential market driven by existing traffic volumes and/or product reputation.

There are other "factory outlets" in New Brunswick (i.e., Factory Carpet Outlets, Mobile Home Factory Outlets) but they are not germane to this study.

6.4.2 Potential New Brunswick Products

Products sold through value retail outlets in the United States (specifically Maine and New Hampshire) vary but can best be characterized as portable and non-perishable (although freshness may be desirable). Aside from franchised food operations offering food for immediate consumption, only one outlet marketing perishable foodstuffs was

found during field work. This firm, Ducktrap River Fish Farm of Lincolnville, Maine, markets smoked seafood products by mail order (packed in ice) to an up-scale market. Outlets marketing large goods such as furniture do exist but they are selling primarily to a local urban market and normally located in urban centres for that purpose.

In interviews carried out during field work, interviewees indicated that customers want to take their purchases with them when leaving the store, thus the need for portability.

The market to be addressed by any potential New Brunswick outlet location would be composed largely of pass-through traffic (year round or tourist traffic). The experience in Maine and New Hampshire has been that local residents only constitute a minuscule portion of the outlet customers (by choice and by size of resident population). Thus, the product lines to be considered for marketing in value retailing outlets in New Brunswick should be portable and non-perishable.

One of the objectives of this study, as expressed in the Terms of Reference was:

> "To assess the potential of developing factory outlet centres in New Brunswick as an economic development tool for New Brunswick."

Implicit in this is allocating priority to the marketing of products of New Brunswick manufacturers.

Based on research into the value retailing industry in the United States and using the 1989 Directory of Products and Manufacturers - New Brunswick, the following New Brunswick products were selected for consideration for value retailing:

- fish products;
- sugar and chocolate confectionary;
- luggage, purses and handbags;

- clothing;
- footwear;
- furniture;
- other wood products;
- brewery products;
- glass and glass products;
- leather and allied products; and
- toys and games.

Each of these product groupings represents products that are (or can be) non-perishable and all are portable with the exception of furniture which can include small portable items. The names of companies producing these products were extracted from the 1989 directory and will be further discussed in Section 6.5.

Fish products are the output of one of the Province's major industries, an industry which is currently in some distress due to decreasing stocks and fierce competition for markets. Although it is unlikely that value retailing could constitute a major marketing opportunity for this industry segment, it could contribute. Fish products to be marketed should include canned products and other products rendered non-perishable or less perishable by drying and smoking. With canned goods, consideration should be given to discounts for case lot sales.

Sugar and chocolate confectionary products are produced in the Province by four firms, only one of which, Ganong Bros. Ltd., constitutes a major manufacturer. The success of the present Ganong outlet has already been proven. That success could be duplicated in an outlet located elsewhere in an outlet mall. Although limited in number in New England, this type of outlet appears to be quite popular with shoppers.

Luggage, purses and handbags are manufactured at only one location in the Province, Wheeler Accessories in Fredericton. This type of outlet is present in most outlet locations in the United States, however, and appears to be successful. The opportunity for value retail merchandising may pose an opportunity for the existing firm or generate interest by new entrepreneurs. Although Wheeler Accessories is the only firm listed in the Directory, there are a number of craft people around the Province producing similar products at lower volumes.

The single largest product category for value retail outlets in the United States is **clothing**. The largest clothing manufacturer in the Province, Chemise J.M.L. Ltée - J.M.L. Shirt has 200 to 300 employees. The next twenty-three firms extracted from the 1989 Directory have between ten and eighty employees and manufacture a variety of clothing products. These products are potentially marketable in a value retail facility. Moreover, the top twenty-four firms have capacity sufficient to generate adequate quantity of product.

Footwear is a very popular value retailing product in Maine and New Hampshire outlet locations where quality footwear is available at discounted prices. It is doubtful if New Brunswick manufacturers could compete with the low prices offered by these outlets.

Although **furniture** is not normally a product sold in value retail outlet developments, there may be some potential for an outlet to sell product at discount prices at a provincial or maritime level. This type of sale would not appeal to the normal customers frequenting value retail outlets because the goods sold would not be easily portable and normally would involve large expenditures. There may be potential, however, for a strategically placed outlet offering quality goods at discounted prices.

There may be potential for value retail marketing of **other wood products** - crafts, knickknacks, and small portable wood products. The accent would have to be on quality and price as there are many professional craftsmen in the market place as well as many amateurs turning out their own quality product for personal use.

Consideration could be given to the marketing of New Brunswick **brewery or winery products** through a specialty outlet. This would have to be carried out consistent with New Brunswick laws on the sale of alcoholic beverages. Sales could be in bulk (case lots) or by individual bottle.

Glass products are commonly marketed through outlets in Maine and New Hampshire. New Brunswick has several manufacturers and a number of crafts people producing commercial glass products.

Leather and allied products, produced in New Brunswick, by either manufacturers or individual crafts people should be considered for value retailing.

Toys and games are commonly marketed through value retailing establishments in the United States. New Brunswick has a number of small firms manufacturing toys as well as numerous crafts people producing toy and craft products.

The products previously described constitute New Brunswick products with potential for value retail sales. In an overall Provincial context, however, the potential is limited by the lack of brand name recognition. In the United States, the greatest successes in value retailing have been of brand name products, not manufactured locally, but recognized internationally; very few of the New Brunswick products listed would have any recognition outside the Province. Canongs has an international reputation that would be recognized in a value retailing situation. Connors and Nadeau Furniture would have regional recognition but their names are not household words among consumers.

A major problem for value retail outlet operators in the United States is supply of adequate product from the manufacturer. The problem has grown sufficiently, so much so that manufacturers are even planning overruns to supply their outlets. The limited size of New Brunswick manufacturers of outlet-suitable product will constitute a major limitation on the potential for outlet sales of their product.

Because of insufficient manufacturing capacity affecting the ability to supply outlets of single manufacturers, consideration should be given to value retailing outlets selling a

specific product type but supplied by a number of manufacturers. This "co-op" approach to value retailing would facilitate the participation of a number of small manufacturers or crafts people with limited production capacities. This approach would also provide these smaller producers with a viable market.

6.4.3 Non-New Brunswick Products

Due to the product weakness (lack of brand names, insufficient manufacturing capacity) inherent in the manufacturing sector in the Province when considering products appropriate for value retail sales, consideration will have to be given to selling non-New Brunswick products in outlets if the concept is to be pursued. Although this would not constitute support for New Brunswick manufacturers, it could generate employment and income at the retail level (as would any successful shopping centre).

Two categories of non-New Brunswick products should be considered for any potential value retailing project in New Brunswick. Atlantic Canada products would be consistent with and complementary to products of New Brunswick manufacturers. In a practical sense, problems related to shipment from manufacturer to outlet would be minimized because of the location of the manufacturers in the region. These could include products such as Stanfields (underwear, etc.) for example. In an equally practical sense, especially in view of the recent lowering of interprovincial trade barriers in the Maritime province, it will be impossible to prevent firms from the other provinces competing with New Brunswick manufacturers (i.e., Moirs vs. Ganong).

The other category of non-New Brunswick products to be considered would be brand name products with international recognition. These products have achieved the maximum amount of success in value retailing in the United States. Priority should be given to those products that would not cause major "free trade area" complications, competing with existing New Brunswick retailers and those products which would have maximum advantage under the Free Trade Agreement with the United States.

6.5 New Brunswick Manufacturers

6.5.1 Selection of Manufacturers

Part of the requirement to assess the potential of developing factory outlet centres in New Brunswick as an economic development tool is the identification of manufacturers/ processors in the Province with potential for this type of retailing.

The literature search, agency interviews and field work identified product categories being successfully marketed through value retail outlets in the United States. These product groupings were then compared with the product group listings in the 1989 Directory of Products and Manufacturers to find similar products manufactured in New Brunswick. The resultant listing of New Brunswick products was then used to acquire, from the 1989 Directory database, a listing of manufacturers in the Province manufacturing these goods. Product groups are listed in Section 6.2.2. The complete listing of the companies extracted from the 1989 Directory database is found in Appendix "F". The firms are sorted in order of number of employees. It would have been preferable to sort by gross sales but this was not available from the Directory database. The levels of employment were chosen as an alternate measure of production.

6.5.2 Assessment of Potential Manufacturers

The companies listed represent New Brunswick manufacturers of products with potential for value retail sales regardless of the size of the firm. Many of the companies listed are too small to generate adequate volume of product to stock a value retailing establishment on their own with first line goods, much less seconds or overruns. The only opportunity for smaller firms to participate in this marketplace is cooperatively with other firms producing similar or compatible products.

The listing of New Brunswick firms producing **fish products** involved 160 companies employing between 3,628 and 13,788 persons in total depending upon the season. Only the top 46 firms actually employed 100 people or more at peak periods reflecting the very seasonal nature of the fish processing industry. Potentially, these larger firms

involved in the production of non-perishable (canned) or less perishable (i.e., dried, smoked), could supply a factory outlet. Some, such as Connors or Starkist, may have brand name recognition. The major limitation for this product type is the lack of market appeal.

There are four producers of **sugar and chocolate confectionary products** in the Province. Of the four, Ganong Brothers is the only one with capacity sufficient to support a factory outlet.

There is one firm in the Province engaged in the production of **luggage, purses and handbags** - Wheeler Accessories Ltd. The firm is relatively small (9-12 employees) and already operates a small outlet at its manufacturing facility. It is doubtful, at current levels of production, that the firm could sustain a second outlet remote from its manufacturing facility. The product does not have brand name recognition outside of the Province.

There are a total of 38 **clothing** manufacturers in the Province ranging from firms with one employee to a firm with 200 to 300 employees. Of the 38 firms, 14 have ten employees or less and would be unlikely to be able to independently sustain an outlet. The largest firm on the list, Chemise J.M.L. Ltée - J.M.L. Shirt already operates a small outlet adjacent to its manufacturing facility; there is potential, though, for a J.M.L. Shirt outlet in another outlet location. Shirts are sometimes sold through outlets in the United States (i.e., Hathaway Shirts) and the only limitation J.M.L. Shirts would have in the marketplace would be lack of brand name recognition.

Two firms in the Province manufacture **footwear**. Only one of the two, Hartt Shoes, has sufficient capacity to sustain an outlet operation for first line goods or seconds. Hartt Shoes already operates a small outlet for seconds as part of its production facility and Hartt seconds are occasionally sold in a limited number of discount stores in the Province (i.e., Penny-Saver, St. Stephen). Although Hartt Shoes produces goods of quality with brand name recognition in adequate quantities to stock an outlet, further specific studies in relation to footwear would be necessary to assess feasibility of marketing Hartt Shoe products in an outlet mall remote from the factory. Hartt Shoe

products would be competing with much cheaper products available through outlets in Maine.

The **furniture and fixture** industry in New Brunswick consists of fifty firms employing, in total, between 464 and 631 persons. Of these fifty firms, only six employ twenty or more people. Although the applicability of this industry segment to value retail marketing is limited as discussed in Section 6.2.2, there may be potential for the top two firms in the listing, Nadeau and Nadeau Limited and Springwall East/Atlantic Sleep Products to establish outlets in an value retailing outlet development to address a regional (Maritime) market.

The same fifty firms are listed as **manufacturers of other wood products**. Although these other wood products may be more appropriate for value retailing (i.e., portable and unique), the same constraints induced by limited production capabilities apply. Outlets selling small wood products have experienced success in outlet developments in the United States. Their success is directly limited to the uniqueness, quality and novelty of their product. Woodworking firms producing such products could successfully market through outlet developments.

There are three firms in the **brewery products** industry in New Brunswick. Two of the firms, Moosehead and Labatts, produce nationally, and in some cases internationally, recognized brand names. Specifically, Moosehead has, in recent years, experienced success in marketing Moosehead products in the United States. Both of these firms have sufficient capacity to sustain outlet sales. The third firm, Hanshaus Brewery, produces a product unique to New Brunswick and could appeal to a specialty market.

Neither of the two firms producing **glass and glass products** in New Brunswick would be appropriate for consideration for value retail marketing. Consumer's Glass produces bottles (beer, pop) for wholesale customers and does not manufacture products for those retail markets. Vitreries produces glass, glass panels and thermal products.

There are five small manufacturers of **leather and allied products** in New Brunswick, all of whom have five employees or less. Two of the five produce harness

and saddlery products while the other three produce a variety of retail oriented leather products (i.e. purses, belts). The three firms producing consumer leather products have between 2 and 5 employees each depending on the season. This would imply insufficient production capacity to sustain an outlet operation.

Toys and games are products successfully marketed through value retail outlets in the United States. In New Brunswick there are four toy and game manufacturers listed, each of which have fewer than seven employees. This would imply limited production capacity to sustain an outlet operation.

Of the eleven product groupings for which New Brunswick manufacturers were assessed, only four have Provincial manufacturers with potential for value retailing - fish products, sugar and chocolate confectionary products, clothing and furniture and fixtures. Of these, fish products and furniture and fixtures have limited applicability due to limited market demand (fish products) and the size of the product (furniture). Of the remaining seven categories, there is limited potential for marketing through factory outlets as part of an outlet development remote from the location of production due to limited production capacity. Given the above, it can be concluded that the value retail outlet concept has very limited applicability to New Brunswick manufacturers.

6.6 Value Retailing Definition for New Brunswick

In Chapter 3, factory outlets are defined in both the historical and current context. These definitions are generic and apply to the entire value retailing industry as it now exits.

The definition of value retailing in the New Brunswick context must be tempered by the following:

- there are relatively few products manufactured in New Brunswick for which value retailing in an outlet development would be appropriate;

- there are relatively few New Brunswick manufacturers which presently manufacturer products appropriate for value retailing in sufficient quantities to sustain a value outlet in an outlet development remote from the production facility;

- the success of value retailing in other areas such as Maine and New Hampshire is largely dependent upon the sale of internationally recognized brand-name goods at discounted prices;

- the existing value retailing outlets in New Brunswick are mostly true factory outlets in the traditional sense in that they are closely associated or part of a manufacturing facility; and

- the strong relationship (stronger than in the United States) between manufacturers and their wholesale accounts may increase the free trade zone differences or effectively scuttle any potential outlet developments.

6.6.1 Current New Brunswick Definition

Value retailing outlets currently operating in New Brunswick are primarily factory outlets, owned by a specific manufacturer, selling that manufacturer's goods and, mostly, attached to or in close proximity to the manufacturing facility. The product range of goods marketed through these facilities includes premium goods at premium prices, seconds at discounted prices and first line goods at regular retail prices.

6.6.2 Potential Definition - New Brunswick

If the value retailing concept is to be pursued in New Brunswick, value retailing should include the existing factory outlets which are a valid means of marketing cheaply and conveniently a manufacturer's product. However, value retailing establishments must include recognized brand name goods to be successful. In addition to the brand name goods, priority then should be given to the promoter of first, New Brunswick and, second, Maritime-manufactured goods. Consideration should be given to cooperative

efforts amongst groups of manufacturers with similar product lines. Consistent with value retail industry trends in the United States, the mixing of regular retail price first line goods, discounted good and seconds is acceptable.

7.0 MARKET ANALYSIS

7.1 The Value Retail Customer

7.1.1 The U.S. Experience

Value retailing, comprising principally off-price and factory outlet merchandising, transformed the American shopping experience in the 1980s. Propelled by the shopping mall development that emerged in the 1960s and 1970s, the retailing industry searched for innovative ways to capture the attention of the sophisticated shopper. Department stores set the stage for the shift in consumer habits with a focus on specialty retail goods such as apparel and accessories. The eighties witnessed a move by these stores towards designer clothing and footwear from traditional apparel lines in an overall effort to improve and upgrade their margins. This immediately left a market niche for the factory outlet and off-price retailers who recognized the phenomenal demands put on manufacturers and their resulting inventories of seasonal overruns, end-of-lines and seconds or flawed goods.

Coupled with the attention to specialty retailing, manufacturers in the 1970s and early 1980s could not afford to warehouse goods for any extensive period of time considering the burden of high interest rates. Consequently, off-price retailers and factory outlets capitalized on these circumstances and attracted the consumer seeking bargains on brand name goods. Until very recently, little attention has been given to defining this particular customer. However, the double-digit growth experienced by off-price stores and factory outlets in this decade is causing the retail industry to take a closer look. The off-price/outlet market in 1987 accounted for approximately 10.5 percent of total U.S. apparel and footwear sales. This equated into nearly $6 billion in sales, a rise of 13.9 percent over 1986.

The first industry promoters of factory outlets and off-price centres believed a major portion of their customers came from the upscale market. A survey conducted by Value Retail News in 1989 demonstrated this assumption. Overall, 29 percent of outlet/off-

price shoppers reported household incomes in the $50,000-$75,000 category. An additional seven percent indicated their income as exceeding $75,000 (See Figure 7).

By comparing these income levels with those for the general U.S. population, even more dramatic results are apparent. Not only is the upscale customer the dominant group to be found at outlets, but the $50,000 to $75,000 income bracket customer is present at a rate more than three times their normal distribution in the total U.S. population. Similarly, the customer with household income in excess of $75,000 was twice as likely to shop at these centres compared to the general population.

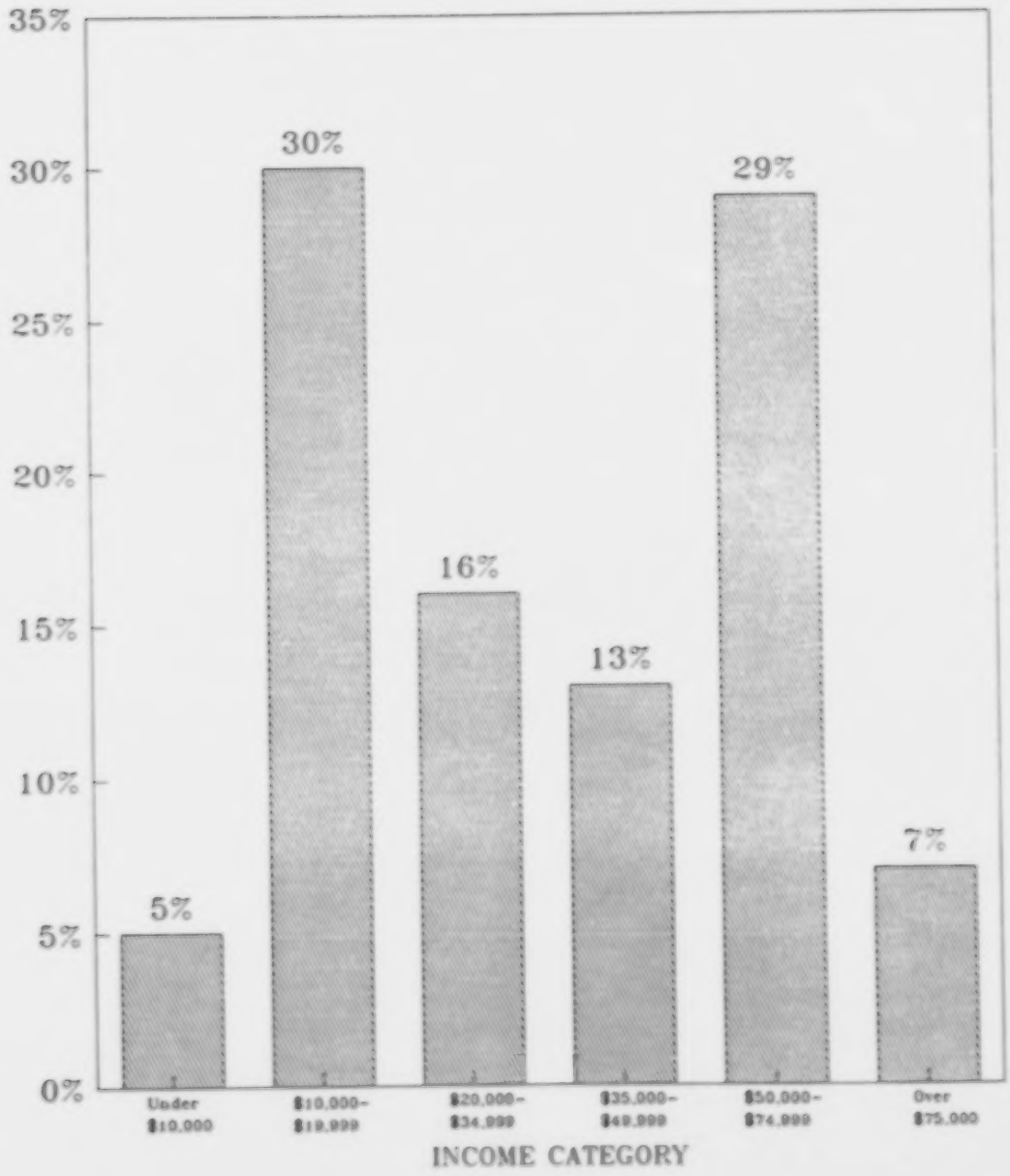
On the other hand, the survey also disclosed the largest household income group to shop at factory outlets and off-price stores was in the $10,000-$20,000 category. This segment of the population represented approximately 30 percent of the customer base. On the basis of general population distribution, the group was present at a rate that was similar to the broader national population.

In addition to these significant findings, the survey indicated the general lack of participation by customers in the middle income brackets. With such an under-representation, value retailers are missing a marketing opportunity.

Among the many features which drew customers to outlets, the most prominent is "value for money spent", followed by price, selection, style and fashion. These findings are consistent with the results of interviews with retailers and developers throughout Maine and New Hampshire. In some cases, tenant mix was confirmed as another important ingredient in the decision making process of the customer.

In other findings of the Value Retail News survey, shoppers at factory outlets and off-price stores had a high level of self-esteem. In other words, as a group, decisions to purchase were based on a strong regard for high quality and product familiarity. Most shoppers had made conscious decisions to visit a particular store while 25 percent of the survey group identified "general shopping" as a motivating factor for their trips.

FIGURE 7: VALUE-RETAILING CUSTOMER INCOMES



SOURCE: Value Retail News, 1989

Approximately 26 percent of shoppers visiting factory outlets had travelled at least 50 kilometres. These shoppers tended to place a higher value on brands and price, while shoppers travelling less than 50 kilometres opted for recreational shopping and put higher value on store appearance.

7.1.2 The Canadian Customer

Tabulating data for a profile of the potential factory outlet customer in Canada is difficult. None of the industry organizations in Canada including the Retail Council of Canada and Canadian Manufacturers Association have compiled information related to the factory outlet system or off-price retailing. In fact, the general trade sources for value retailing restrict themselves almost exclusively to discount stores.

Factory outlets and off-price stores in Canada are approximately at the same stage of development as New England was at 1970. Shopping centre conversions undertaken by a few developers in the early eighties were half-hearted attempts to copy the American successes. Unfortunately, the hybrids made up of factory outlets and mostly off-price stores did not address the needs of the upscale market. Locations in industrial parks and downtown cores did not provide the ambience necessary to attract value retail customers.

7.1.3 Customer Habits and Preferences

When factory outlets and off-price stores began to emerge with new market strategies in the 1980s, few retailers had any concept of their customer's purchasing habits, likes or dislikes. While the strip mall approach brought value retailing closer to the customer in an upscale presentation, it did not anticipate fully the needs of this specialty market. Even today, systematically gathered data on shopping habits is lacking. Studies conducted by a few factory outlet malls in the United States have been reported by Value Retail News. In one such poll in 1987, the mall outlet pinpointed several characteristics about their customers:

- 60 percent of those interviewed had shopped at outlets for a year or more;

- 19.5 percent had shopped at that location for 3 to 4 months;
- the balance of those polled had been shoppers there for the past year; and
- over 42 percent shopped there **less than** once a month and 26.8 percent shopped there monthly.

On the matter of shopping motivation:

- 46.8 percent indicated price was the principal factor;
- 36.8 percent favoured location/convenience;
- 38.6 percent cited store preference; and
- knowledge of the outlet by customers was frequently (28.3 percent) learned by word-of-mouth from friends and relatives.

Among the most frequently cited changes or improvements that could be made at outlets, customers often referred to:

- a greater variety of stores (tenant mix);
- preference for more clothing stores;
- need for food courts or other various eating establishments; and
- access to washroom facilities.

Equally important to retailers and developers are the results of a 1987 survey of 400 shoppers at outlet and off-price stores concerning shopping tendencies. Clearly there were several significant differences between the habits of outlet customers and off-price shoppers. The Value Retail Institute, which conducted the study, found that:

- outlet shoppers tended to place less importance on service than off-price shoppers. Among all service features provided by these stores, including decor, personnel, credit card acceptance and returns policy, outlet customers did not view them as important as off-price shoppers did;

- outlet shoppers usually drive greater distances for their shopping than off-price customers. The majority of outlet patrons travelled at least 65 km while the off-price customers averaged 20-25 km. Many factory outlets are rural-based, partially accounting for this wide margin;

- in terms of shopping orientation, outlet customers tended to rely more on cash than credit card charges while off-price customers leaned towards a wider use of credit cards;

- the average outlet shopper is older than the average off-price customer. The typical profile for an outlet shopper is a female in her late thirties compared to the same customer for an off-price stores in her early thirties. Significantly, factory outlets attracted a larger number of people in their fifties and sixties.

7.1.4 Potential New Brunswick Customer

While a clear profile of the potential customer for factory outlets in New Brunswick can not be absolutely defined, one can obtain an impression of resident and non-resident travellers who may form part of that customer base. Data compiled for the Canadian Travel Survey in 1986 offers some interesting parallels with the value retail customer profile in New England. It should be noted, however, that the Canadian Travel Survey did not account for trips shorter than 80 kilometres (one way).

The majority of travel by resident New Brunswickers (60 percent) involved one way trips of 80-159 kilometres. Fifty-two percent of these person trips occurred on weekends. During the course of their travels, 69 percent of residents spent $200 or less per person trip. This same group generated nearly 54 percent of total expenditures of $114 million made by residents travelling within the province in 1986.

According to survey results in 1986, 26 percent of total expenditures by residents travelling within the province was attributable to shopping. On average, expenditures per person trip were $71 for shopping activities. Approximately 52 percent of all shopping activity occurred during day trips.

A sizeable portion of resident person trips (25 percent) were made by travellers with income levels exceeding $40,000. Travellers in the $30,000-$40,000 income bracket contributed 25 percent of total expenditures within New Brunswick in 1986, averaging $59 per person trip.

Other Canadians travelling in New Brunswick throughout 1986 had averaged expenditures of $120 per person trip. Eighteen percent of person trip activities involved shopping; this translated into 15 percent of total expenditures made by other Canadians within the province, estimated at $84 million, attributable to shopping activities. Travellers with incomes in the $20,000-$30,000 category accounted for the highest expenditures (19 percent), while the $40,000 or more income brackets consumed 38 percent of all expenditures.

7.2 Retailer/Developer Profile

7.2.1 U.S./New England Developer Activities

The segmentation of the value retail industry in recent years has provided new challenges to the developer in relation to outlet and off-price retailers. During the 1980s many combined outlet/off-price malls or centres were abandoned as developers realized that off-price stores could conveniently situate in centres closer to suburbs or near regional malls. Meanwhile, factory outlets discovered more customer appeal for villages or centres where several direct-from-the-factory outlets were available. The purity of these outlet centres has proven an extremely successful marketing strategy for retailers and developers.

The further segmentation of the market has provided new opportunities for retailers and developers alike. A spokesman for the Chelsea Group of New Jersey, one of the

top 10 outlet developers (See Table 7) views the "pure" outlet mall as a new retailing avenue for entrepreneurs. Retailing executives have abandoned the highly competitive and sharply cyclical conventional retail industry for fresh challenges in the outlet market. Chelsea's chairman concluded in the New York Times in April, 1989 that consumers are demanding lower prices and reacting to the dominance of major retailers in the marketplace.

While developers have been responding to the demand for more factory outlets and off-price sites, over-development could become a distinct possibility. In 1981, there were only 26 factory outlet malls; by 1988 Value Retail News indicated at least 210 facilities in the U.S. Bigger challenges are beginning to face developers who wish to establish outlet centres. Out of 25 developers interviewed by VRN in 1987, the greatest challenge identified by developers was over-development and a shortage of sites. Fully 54 percent of developers subscribed to this belief, and 50 percent complained about the availability of suitable sites (See Figure 8).

In viewing opportunities for retail development, developers selected from four kinds - outlet, off-price, value-oriented and conventional. Twenty-four developers ranked conventional retail developments at the top, even though they owned or managed 105 value retail outlets across the country. But to keep this in perspective, it must be realized that more than 20,000 conventional shopping centres are reported by the International Council of Shopping Centres to be active in the U.S. compared with 750 value retail centres (includes factory outlets, off-price stores and other discount stores). Nevertheless, this does emphasize possible hurdles in attracting developer interest in factory outlet projects.

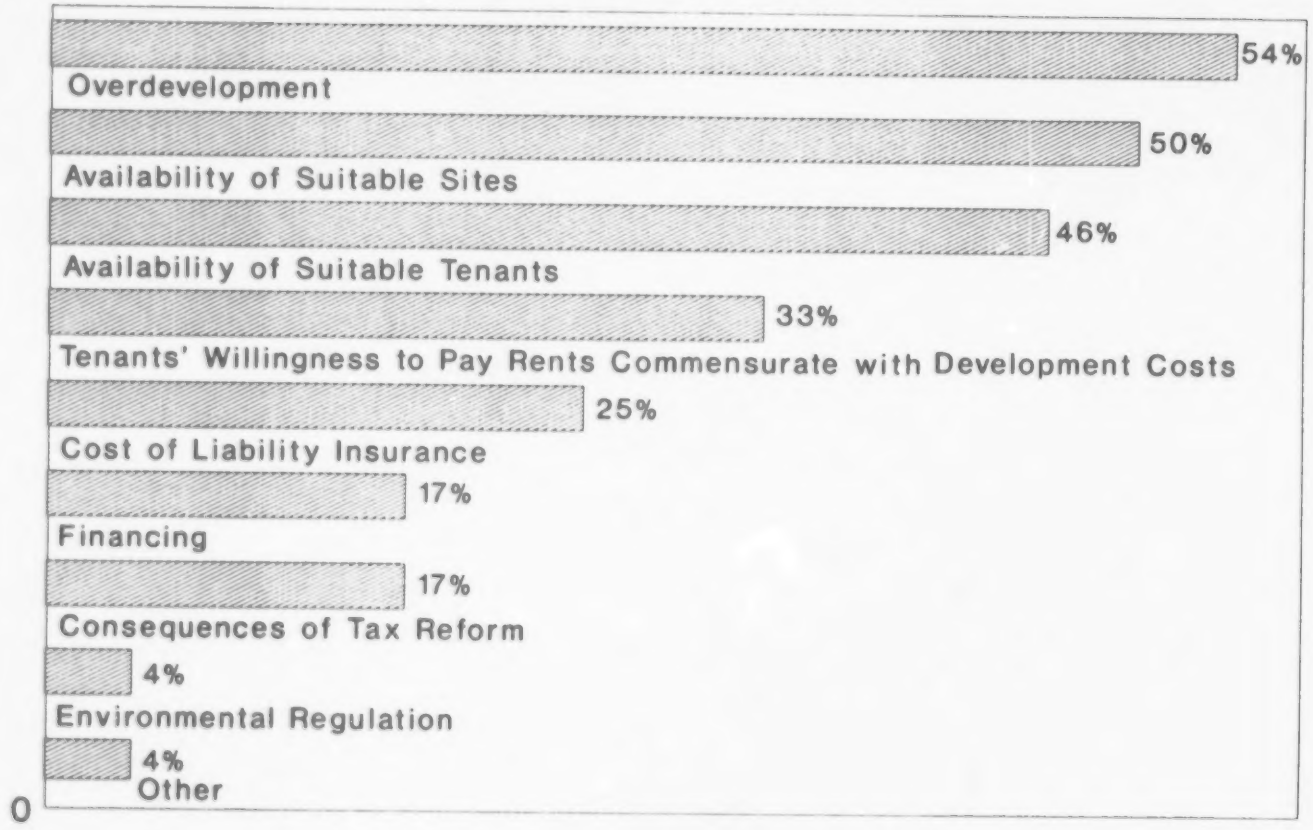
Recently steps have been taken by developers to broaken the outlet retailing offerings in Ellsworth, Maine. In addition to a start by L.L. Bean's of Freeport on a 10,000 sq. ft. factory outlet on High Street in early December, Acadia Outlet Village Inc. of Roswell, Georgia will initiate a 150,000 sq. ft. outlet centre in the municipality. Anchored to a 125-room Comfort Inn with restuarants and theatres, the Acadia Outlet Center will incorporate a 140-acre site with rents averaging $12 per square foot plus CAM charges of $3-4 per square foot. Phase one is expected to open by May, 1991. Prospective tenants include Bass Shoe, Van Heusen, London Fog, and Corning.

TABLE 7: 1987 TOP TEN OUTLET DEVELOPERS IN U.S.A.

	Developer	GLA
1.	Belz Enterprises Memphis, Tenn	1,519,669 sf
2.	Company Stores Development Co. Brentwood, Tenn	1,316,496 sf
3.	Benderson Development Co., Inc. Buffalo, N.Y.	690,000 sf
4.	VF Factory Outlet Inc. Reading, Pa.	652,000 sf
5.	WCI Investments/Johnson Dev. Co. Myrtle Beach, S.C.	634,300 sf
6.	The Chelsea Group Flemington, N.J.	586,930 sf
7.	Horizon Group Muskegon, Mich.	452,000 sf
8.	Manufacturers Retail Outlets Huntsville, Ala.	368,000 sf
9.	Balcor Development Co. Skokie, Ill.	308,150 sf
10.	Stanley K. Tanger & Co. Greensboro, N.C.	301,000 sf

SOURCE: The Art and Science of Outlet and Off-Price Retailing and Development, Value Retail News, 1989.

FIGURE 8: SUBSTANTIAL CHALLENGES IDENTIFIED BY DEVELOPERS



SOURCE: Value Retail News, 1989

7.2.2 Canadian Developers

The pace of factory outlet or off-price centre development in Canada has been spotty and sporadic. Modest attempts were made by Canadian-based developers in Ontario and Quebec in the early eighties to establish value retail malls with a tenant mix of outlets and off-price stores.

Bramalea Corporation's Outlet Centre in Brampton, Ontario in 1982 failed when customers did not respond positively to its location in an industrial park. Likewise, the Centre could not maintain a "pure" factory outlet system because of pressure from retailers in the area. This left the project with a mixture of discounters.

First Plaza Inc. of Toronto moved into value retailing in 1985-86 with the conversion of the Dixie Mall in Mississauga. In addition, the Lawrence Plaza in North York was promoted as an off-price centre. In reality, only 30 to 50 percent of their tenants can be defined as off-price stores while the remainder are discounters and conventional retail. Some of the more prominent value retail stores include Hudson's Bay Budget Store; Willy Wonderful outlet shops, an apparel off-price store; and Winners Apparel Ltd.

No high profile U.S. off-price or factory outlet stores are present in these areas. Apparel manufacturers such as Dylex Ltd., owners of Big Steel, Fairweathers, Tip Top and Thrifty's, do not see the need for outlets or off-price stores. In a Globe & Mail interview Dylex contended that more than 50 percent of goods sold through traditional retailers are off-price anyway. Furthermore, industry studies indicate that more than half of all merchandise sold in conventional stores is already discounted.

The trend toward designer apparel and accessories in the 1980s may require some reassessment of the Dylex position. The recent efforts by Enterprise Property Group of Toronto to establish the King Value Centre in Kitchener is another attempt to develop an off-price mall. While it is a conversion of an older shopping centre, the development manager, Mr. David Pidgeon, feels the location will not disturb normal relationships with conventional retailers. As well, the securing of a Sears Brand Central outlet as an anchor will contribute to the mall's credibility. With its planned opening in 1990,

the centre expects to draw on the regional population and sees no adverse effect from the Outlet Mega-Mall development in Buffalo, N.Y., scheduled for completion in 1991.

A composite profile of Canadian developers involved in pure factory outlet/off-price projects is not realizable. John C. Williams Consultants Ltd. of Toronto, one of a few Canadian specialists in value retailing, confirms this viewpoint. He sees little progress in any major developments that were started in the 1980s. Aside from the efforts of First Plazas Inc. in Toronto, few projects have advanced in other parts of Canada. Like Bramalea's outlet mall in Brampton, similar attempts in Quebec have faltered or turned into mainly discount centres.

The Retail Council of Canada does not track or research projects related to value retailing. John Woolford, of the Council office, stressed the basic cost pressures faced by retailers as the primary reason for not aggressively pursuing the factory outlet/off-price system. Likewise, the Council could not see any significant shift towards this form of retailing even with the advent of the Free Trade Agreement.

Further, contact with the International Council of Shopping Centres revealed that they do not tabulate data on developments by segmenting the retail sector. Shopping centres and malls are described only in terms of square footage growth or expansion in both the United States and Canada.

7.3 Industry Trends

7.3.1 Retail Trends in the United States

As factory outlets and off-price stores continue to proliferate, sharper distinctions are being made between these two forms of retailing. Data developed by **Value Retail News** since 1984 indicates a steady rise in the sales per square foot for both outlet centres and off-price chains. Sales growth for 1988 averaged $211 per square foot, up 7.6 percent over the $196 reported in the previous year. Off-price stores averaged $237 per square foot against $226 per square foot; an increase of approximately 5 percent (Figure 9). While these growth rates are not as substantial as other years, they exceed sales growth averages in the conventional retail sector by more than double. For a

FIGURE 9: SALES PER SQUARE FOOT - OUTLET AND OFF-PRICE STORES

SOURCE: Value Retail News, 1989

more specific example, outlet and off-price sales growth for women's apparel averaged about 9 percent in 1988. During the same period department and specialty stores realized growth rates of -3 and 4 percent, respectively (Figure 10).

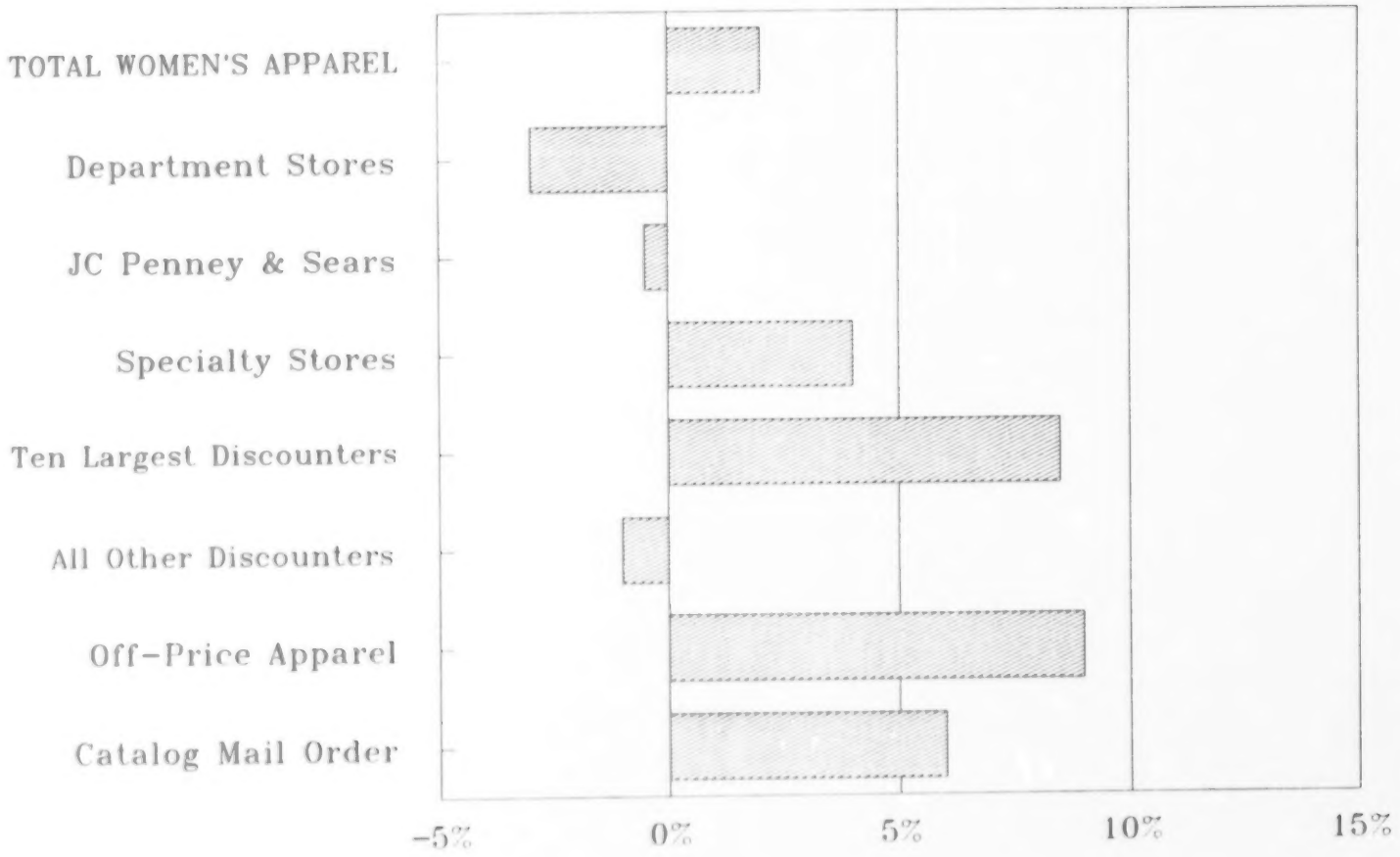
Presently, the similarities between outlet and off-price stores become less distinct. During the early eighties, off-price chains expanded at rates of 20 percent annually and more. Not until 1986 did outlets experience greater growth. Part of this change was a result in the maturation of off-price projects. Off-price centres, unlike factory outlets, were able to proceed with expansionary programs because they were not restricted in sourcing their goods, obtaining adequate financial backing or attracting retailing talent to manage their operations. Consequently, in 1988 off-price chains could boast twice as many stores as outlet chains. Furthermore, the average off-price chain operated nearly three times as many stores as the outlet chain. Finally, the size and capacity of off-price stores is substantially greater than factory outlets which are limited by a supply of goods.

These differences have meant the development of separate retailing strategies. While off-price store expansion is far from over, the opportunities in factory outlet development are becoming more appealing and innovative.

As the value retailing market becomes more segmented, factory outlet malls or centres are offering broad-based services and features attractive to all age groups. More appealing thematic approaches are being utilized in retail developments. Attractive colonial architectural stylings are cropping up along eastern seaboard sites. Similarly mid-western and southern outlet developments are taking on other motifs.

Manufacturers certainly are not opposed to this trend. Slumping sales in the conventional retail market and increasing adversarial relationships with retailers have caused manufacturers to seek the outlet project development as a hedge against declining sales. This form of diversification by the manufacturer has seen a new direction for outlet expansion beyond the dominant apparel and accessories industry. Extracted from The Art and Science of Outlet and Off-Price Retailing and Development, the fastest-growing outlet chains by merchandise category are indicated in Table 8.

FIGURE 10: RETAIL SEGMENT MARKET GROWTH WOMEN'S APPAREL, 1988 VS. 1987



SOURCE: Value Retail News, 1989

TABLE 8: FASTEST GROWING OUTLET CHAINS BY MERCHANDISE CATEGORY, 1988

Merchandise Category	Retail Chain	Expansion (Number of new Stores)
Fabrics/yarns/notions	The Ribbon Outlet	43
Men's apparel	Van Heusen	42
Drugs/health/cosmetics	Prestige Fragrance & Cosmetics	38
Shoes/footwear	Bass	37
Toys	Toy Liquidators	31
Women's apparel	Herve Benard	24
Home decor/furnishings	Silk Greenhouse	22
Housewares/tablewear/pottery	Royal Doulton	16
Handbags/luggage/leather goods	Leather Loft	16
Children's apparel	Kids Port USA	10
Lingerie	Maidenform	9
Paper goods/cards/gifts	The Paper Factory	8
Athletic clothing/shoes/goods	Pure Sweat	7
Family apparel	Fashion Flair	5
Linens/domestics	Fieldcrest Cannon	4

SOURCE: The Art and Science of Outlet and Off-Price Retailing and Development, Value Retail News, 1989.

Forecasters predict that these forms of value retailing could expand to capture up to 15 percent of the national retail market in the next few years. The lion's share of this growth belongs to the off-price group; factory outlet growth will likely not exceed one percent. This could mean a saturation point for the off-pricers. On the other hand, outlet stores that are self-regulated in their growth by their manufacturing parents may avoid some of the future problems facing other aspects of value retailing.

7.3.2 Canadian Trends

Forecasting the direction of value retailing in Canada is precarious at best. Several efforts to establish off-price projects or factory outlets have had mixed results. In most cases, the primary objective by developers has been an attempt to salvage existing shopping centres or real estate by attracting tenants through lower leases and rents. Consequently, little thought has been given to a distinctive marketing strategy. Handicapped by diminishing sources of supply, projects have become little more than cheap discount centres.

For all intents and purposes, Canada's venture into value retailing with an emphasis on factory outlets is at a stage equivalent to the United States in the 1960s and early 1970s.

7.3.3. Potential for New Brunswick

If the development of a factory outlet system in the province is not restricted entirely to New Brunswick manufacturers and developers, there are several potential opportunities:

- a structured factory outlet system would provide a retail avenue for some New Brunswick manufacturers;

- a factory outlet development could focus marketing of New Brunswick products and raise awareness of the variety of goods produced in the province;

- potential outlet developments may entice New Brunswick manufacturers to consider this type of marketing strategy as a means of increasing production;

- development of a factory centre, mall or village complex could attract considerable outside investment. A case in point is the Enterprise Property Group of Kitchener, Ontario who have already expressed an interest in a potential joint venture in New Brunswick;

- while soft goods, i.e., apparel, footwear, are commonly available in factory outlets in the United States, hard goods such as furniture, wood products, crafts and metal works could provide a new marketing direction unique to New Brunswick;

- our proximity to Maine and its success with outlets as near as Ellsworth may signal an opportunity for New Brunswick entrepreneurs to undertake a joint venture with an established outlet in Maine. Not only could this involve the export of New Brunswick products but incorporate a reciprocal distribution system in Canada of U.S. products;

- presuming a New Brunswick factory outlet centre would not be exclusive to provincial manufacturers, a prospective developer could attract other well known Canadian producers who foresee outlet retailing as a means of enhancing sales in the region. Examples might include: Far West Industries, Sun Ice Ltd., Noma Industries, Benetton Group and Charon Industries; and

- Opportunities could exist for New Brunswick entrepreneurs to operate marketing and distribution networks for other Canadian and U.S. products that are compatible with factory outlet retailing. These services might include mail order and catalogue fulfilment or warehouse centres for factory outlets. Major operations such as L.L. Bean, Fanny Farmer and London Fog presently do this.

8.0 REGULATORY CONSIDERATIONS

8.1 Cross Border Movement of Goods

The Canadian retail industry encompasses nearly 200,000 retail establishments generating over $140 billion in sales (1986 Census). Apparel and accessories along with general merchandise account for approximately 20 percent of total sales. These sectors are particularly influenced by trade-related factors. Restrictive trade regulations such as duties or quotas can have important implications in sourcing supplies for the retail trade.

8.1.1 Customs and Transhipment

Tariff Barriers

Although nearly 75 percent of Canada-United States trade is already duty-free, a significant number of goods in various sectors are still subject to tariffs. With the Free Trade Agreement implemented on January 1, 1989, a schedule of tariff elimination came into effect. These tariff reductions or full eliminations may have particular application for factory outlet operators.

Whether these outlets draw on goods or inventory within New Brunswick or from the United States will affect their retail pricing structure and overall competitiveness. In order to be exempted from tariffs under the schedules of the Free Trade Agreement (F.T.A.), goods imported from the United States must be produced with at least 50 percent U.S. materials or have at least 50 percent value added in the United States.

Where a manufacturer in New Brunswick utilizes components from a U.S. producer for final assembly in a value-added product, the tariff reduction could be advantageous to the final production cost of the finished product and, consequently, a determining factor in the retail price at the outlet level.

As well, the liberalization of trade should have an impact on the amount of customs paperwork required for the importation of products. Likewise, the movement of

professional businessmen and associated services across the border will be simplified. With the introduction of the Harmonized Commodity Description Coding System (HS), the classification of goods should be more simplified and uniform than the former systems. For exporters, freight forwarders and carriers this is expected to alleviate major paperwork loads.

Non-Tariff Barriers

In addition to tariff considerations, the movement of goods by manufacturers and retail operators may be affected by various non-tariff items. These include:

- labelling and packing requirements;
- language requirements;
- weights and measures;
- certification and permits such as Canadian Standards Association, Underwriter's Laboratories, Food Regulatory Affairs; and
- import permits, i.e., Standards Council of Canada.

8.1.2 Impact of F.T.A. on Industry

Under the Free Trade Agreement (F.T.A.) with the United States, a wide range of goods and services will be affected by the removal of trade barriers. Phased in over a ten-year period, tariffs will be eliminated on goods that fall into one of four tariff-reduction schedules:

- immediate elimination - effective January 1, 1989;
- elimination by the end of five years based on 20 percent annual reduction through 1993;

- elimination of tariff over 10 years by means of 10 percent annual reduction through 1998; and

- admitted free already.

Within the general Canadian context, developers of value retail operations view the F.T.A. positively. Currently, efforts to establish factory outlet/off-price centres have been restricted to Canadian sourcing for their retail goods. Several developers in Ontario see the implementation of the F.T.A. as an opportunity to offer a broader supply of brand name products that can compete for customers who currently seek these goods across the border. Most developers feel the success of a "pure" factory outlet mall requires a mix of well-established brand names.

In a recent article in the Toronto Globe & Mail (September 1989), Canadian retailers were warned to brace for increased competition from U.S. store chains in the 1990s. Innovative retailers will find niche marketing a promising and profitable sector, the forecasters predicted. In particular, off-price apparel retailing under the F.T.A. would provide wider access to sourcing of merchandise. Art Good, National Director of the Retail Council of Canada contends that stiffer competition will mean that when customers have to choose between two products of comparable price, they will decide on other factors such as service. While this conclusion does not appear to be in the mainstream of Canadian retail rationale, the latest experience in New England seems to bear it out. In factory outlet and off-price centres, the thrust of retailers and developers is to ensure value for the customer. Value is not simply price, as it also encompasses quality as well as service.

The Canadian manufacturer, on the other hand, may view the F.T.A. as a double-edged sword. Where the manufacturer is sourcing goods or components in the U.S. for a value-added product to be made in Canada, tariff reductions or eventual elimination may be an asset to their production costs. More likely, however, the goods being manufactured in Canada may face stiff competition from large and well-developed U.S. producers. At a provincial level, local manufacturers may find it more advantageous to concentrate on specialty or niche marketing. High quality products aimed at an upscale market could prove an asset to the smaller producer.

In the same way, the products of a small manufacturer in New Brunswick which fall into the category of seconds, flawed goods or overruns may find their way into a factory outlet comprised of several manufacturers. In order for smaller manufacturers to assure a supply of products to a factory outlet they must realize their production capabilities and limitations. Where this is questionable, manufacturers of similar goods such as wood products may want to consolidate their retail activities under one roof.

Unless New Brunswick manufacturers or retailers operating factory outlets plan to import products from the United States, the F.T.A. will have little effect on their operations.

8.2 Outlets and the G.S.T.

8.2.1 Canadian Manufacturers

The Goods and Services Tax (GST) is scheduled for implementation on January 1, 1991. Basically, all business not slated for tax-exempt status will collect 7% tax on all sales in addition to the 11 percent Provincial Sales Tax. In order that these businesses not be charged the tax more than once, a credit for the tax paid on all purchases can be applied for by each business. The federal government calculates that in this manner each stage of production and distribution or the "value-added" portion will be open to taxation.

Although the GST is meant to be all encompassing, there are certain "tax-free" goods where tax is not charged on sales. Vendors may apply for rebate of taxes paid on any of these purchases. Included "tax-free" items are export sales, basic groceries, prescription drugs and medical devices. Some other "tax-exempt" goods - no tax charged on sales - include resale of homes, residential rents, the majority of health and dental services, daycare, legal aid, certain financial services and most educational services.

Under the program, the process of collecting these taxes will be both confusing and frustrating for manufacturers and the retail industry in particular. The accounting community expects major problems for the retailer in collecting taxes on goods where

the GST is applicable federally, as well as provincially; or both; or neither. Some experts contend that it will add 10 percent more bookkeeping time to each business.

Although there are small incentives built into the legislation to relieve some of the expense of collection, the process may be disheartening for companies whose sales include taxable goods and other exempt sales. Furthermore, these same businesses may be confronted with trying to separate domestic and export sales. In addition, if those orders require transportation services along the way, individual tracking of taxes will be necessary to collect all tax inputs.

Small business and manufacturers are especially concerned with paying all the tax inputs upfront and carrying the amount as accounts receivable until they receive a credit. Wholesalers and exporters in this area may experience recurring cash flow problems. Even promotional samples used as a major marketing tool will be subject to the GST. This is expected to add as much as 2 percent to marketing costs.

Retailers, however, will feel the immediate response to the GST through their patrons and customers. Cash register receipts will have to reflect both the federal and provincial taxes. Consequently, the public will witness first-hand at the retail outlet the calculation of provincial tax on top of the federal GST.

Further economic repercussions could be felt by manufacturers, retailers, customers and potential developers of capital projects. The Conference Board of Canada estimated under the original 9 percent GST proposal that inflation would jump to 7.3 percent in the first year of implementation. This compares to an inflation rate of 2 percent without the GST. Therefore, the possibility exists that interest rates may be increased by the Bank of Canada to offset inflationary urges.

The planned GST will have a significant impact on manufacturers and retailers in the province and will, thus, effect the potential for development of value retail outlets.

8.2.2 United States Manufacturers

Whereas United States based manufacturers may be involved in the development of factory outlets in New Brunswick, consideration must be given to the impact of the G.S.T. on products eminating from the United States. Revenue Canada has indicated that goods directed to a factory outlet store in New Brunswick from U.S. sources would fall under the same guidelines as a traditional retail operation.

Initially, the U.S. manufacturer or wholesaler would benefit from the immediate impact of a drop in the federal sales tax levied at the border from the present 13.5 percent to 7 percent. Combined with the effects of tariff reductions on certain U.S. manufactured products under the F.T.A. schedule, it should mean a very competitive selling price at this level of entry to the Canadian marketplace.

Once the goods have been cleared for final shipment to the factory outlet, almost all identifiable products such as apparel, footwear, sporting goods etc. would be considered taxable at 7 percent.

Therefore, the Canadian vendor or factory outlet store would be able to claim an input credit for the 7 percent charged to their customers. However, the outlet may have some psychological and real advantage over other Canadian manufacturers supplying similar or traditional retail outlets. Some businesses are wary that certain suppliers may not actually reduce the federal sales from 13.5 percent to 7 percent and take the opportunity to gain a windfall with automatic price rises. In shipments from the U.S. and other sources, the federal sales taxes will be openly identified. Consequently, vendors know with some certainty that the sales tax savings are being passed along. Overall, factory outlets and off-price stores operated in New Brunswick and supplied by U.S. manufacturers would be positioned very competitively.

9.0 POTENTIAL EFFECTS OF VALUE RETAILING ON NEW BRUNSWICK

9.1 Employment Creation

Employment creation from the potential development of value retail outlets in New Brunswick can be categorized as follows:

- construction-related employment during the development phase;
- direct employment (or maintenance of existing employment) in the New Brunswick manufacturing sector due to an increased market for the products produced;
- direct employment in the retail sector through jobs created in value retail outlets; and
- employment in the tourism and service sector through increased demand for accommodations and food services and increased traffic.

As described in Sections 6.2 and 6.3, the potential for participation by New Brunswick manufacturers in value retail merchandising is limited due to product type, lack of brand name recognition and limited capacity to produce products sufficient to sustain a high volume outlet. The potential employment creation benefits in the province's manufacturing sector are, thus, limited. Improved markets could, however, contribute towards sustaining existing employment and the opening of a factory outlet could stimulate smaller manufacturers to expand.

The establishment of a value retail outlet development could result in the creation of employment in the tourism and service sector. The actual impact would depend on the location of the development in relation to existing services and attractions and the magnitude of development. Experience in the United States has been that when the outlet development achieves "critical mass", the grouping of stores becomes an attraction in itself to attract and retain tourists. The increased numbers of tourists

will stimulate new and expanded service facilities (i.e., accommodation, food) or sustain the existing services in an area.

Should the factory outlet concept be pursued, the development of an outlet centre or mall would result in increased retail sector employment (i.e., store managers, clerks). In Maine and New Hampshire, however, many of the brand name firms have exhibited the tendency to bring in their own people from outside the area in which the outlet was located rather than train locals as managers. Local employment has then been at the clerk/maintenance person level. Should outlets be established, every attempt should be made to encourage outside firms to develop local labour.

Employment Creation Scenario

To put the issue of retail sector employment creation in perspective, the employment data acquired through the telephone survey are applied to a projected twenty-five store value retail development. In the telephone survey, a broad cross-section of large and small outlets reflected, on average, 76 person-months of full time annual employment and 33 person-months of seasonal (4 months) annual employment each.

Thus, the sample development would result in 158 full-time jobs and 206 seasonal jobs. These numbers are arrived at as follows:

- 25 stores x 76 person-months/store = 1900 person-months
  1900 person-months ÷ 12 months/year = 158 full-time jobs

- 25 stores x 33 person-months/store = 825 person-months
  825 person-months ÷ 4 months/year = 206 seasonal jobs

There is a potential down side to creation of retail employment in outlet developments. If the potential value retail outlet is located within the free trade zone (such as eventually established for Canada), it could result in business being drawn away from existing retailers with possible negative effects on employment with these regular retailers.

9.2 Market for Manufacturer's Product

In New Brunswick, as indicated in Section 6.2 and 6.3, the potential of value retailing as a means of expanding markets for provincial manufacturers is limited by the type of products produced and the production capacity of relevant manufacturing facilities. If outlets are developed using the successful formula from the eastern United States involving brand name products, there may be limited opportunity to sell New Brunswick manufactured products in these stores as part of the overall development. Similarly there may be opportunities for Maritime products.

9.3 Tourism Industry Benefits

The tourism industry is an essential ingredient in the success of value retailing outlets in the United States. Tourist traffic represents one of the ten locational criteria considered by developers in deciding to proceed with facility construction.

New Brunswick Resident Travel

In 1986, New Brunswickers made 2,277,000 person-trips within the province (greater than 80 kilometres, one way, in distance), representing a 35 percent increase in the number of resident person-trips over 1984. Over 71 percent of total person-trips made by New Brunswickers were made within the province. Thirty-one percent of person-trips were made in the third quarter (July, August, September) of 1986; 22 to 24 percent of person-trips occurred in each of the other three quarters of 1986.

The majority of travel by residents is short distance, with 60 percent of resident person-trips having an average one way trip distance of between 80 and 159 kilometres. Fifty-two percent of person-trips occur on weekends only; 48 percent of all person-trips are one day excursions.

Expenditures by residents travelling within the province totalled $114 M in 1986, with average expenditure per person-trip being $50. Total expenditures were less than $200 for more than 69 percent of resident person-trips; these travellers generated 54 percent

of resident expenditures in 1986. Day-trippers accounted for 32 percent of total expenditures.

Twenty-six percent of total expenditures by residents travelling within the province in 1983 was attributable to shopping; average expenditures per person-trip were $71 for shopping activities. Shopping was a primary activity for visitors to the province, with 21 percent of total person-trip activities being for this purpose. Approximately 52 percent of all shopping activity occurred during day-trips.

Travel in New Brunswick by Other Canadians

Other Canadians made 701,000 person-trips to New Brunswick in 1986, a 30 percent increase over 1984 visitation. Visitation, in person-trips, was highest in the third quarter, with over 48 percent of all person-trips occurring in July, August and September; the first quarter had the lowest visitation. Fifty-eight percent of travel included some travel during the week, reflecting the fact that these travellers cover longer distances. Only eight percent of travellers did not stay overnight in New Brunswick, down from eleven percent in 1984.

Total expenditures made by other Canadians travelling in New Brunswick totalled $84M in 1986; the average expenditure per person-trip was $120.

The primary purposes of travel, by other Canadians, in New Brunswick were visiting friends/relatives (41 percent); pleasure (29 percent); and, business (19 percent). Business travel experienced the largest increase from 1984 to 1986. The two major activities, in person-trips, were visiting friends and relatives (27 percent) and shopping (18 percent).

Non-Resident Visitation (Other Canadians and Tourists From Other Countries)

The 1983 Auto-Exit Survey provides the most recent data regarding total non-resident visitation to New Brunswick. Over 60 percent of visitors were from other parts of Canada, the principal regions of origin being: Quebec (20 percent); Nova Scotia (17

percent); and, Ontario (15 percent). Approximately 38 percent of visitors were from the United States, predominantly the New England states.

Total visitation, through the duration of the survey, was 1,096,062 parties; the average party size entering the Province was 2.42 persons per party; thus, there were 2,653,021 persons visiting New Brunswick. Of these, 48 percent were tourists, and 52 percent were excursionists.

Seven percent identified shopping as their purpose of visit. A large percentage (23 percent) of visitors were only passing through New Brunswick en route to destinations such as Prince Edward Island, Nova Scotia, Maine and Quebec.

This 1983 Auto-Exit Survey is being updated in 1989 but will not be released in time for use in this study.

Tourism and Value Retailing

The profitable relationship between tourism and value retailing establishments has long been recognized by the value retail industry which has, since the inception of the industry, targeted tourist areas for development. As stated by Cheryl McArthur of the Washington, D.C. based McArthur Glen Group (from Value Retail News, October 1989) "The manufacturers know that tourists, especially upscale tourists, have free time and extra cash to shop". From another perspective, Candy Harrington, Vice-President for Puma U.S.A stated: "We like tourist destinations because we can go in and not get any flack from our dealers".

The increased traffic generated by value retail developments which, once they achieve critical mass, constitute tourist attractions in themselves, are a major source of revenue to the tourism industry. Location of a value retail development at any of the locations assessed in the province would have positive benefits by contributing to viability of existing services and attraction and, in the long term, potentially stimulating growth in the tourism industry.

9.4 Taxation Revenue

Taxation revenues would be impacted by the establishment of value retail outlets in New Brunswick including increased tax base in communities in which the outlets are located and increased sales and income taxes.

The increased tax base in communities with outlet developments results in increased taxation revenues to the community. This is, however, offset by the infrastructure related costs that must be borne by the community in relation to outlet development. These potential costs are discussed in Section 6.1.3. In addition, the increased tax base would, in New Brunswick, have a negative affect on unconditional grants from the Province to the municipality. This is elaborated on in Section 9.6.

Providing no existing jobs are displaced by the development of a value retail mall, the net increase in employment (employees of the mall and its stores) and the increased tourist/shopper traffic would result in increased income tax revenue.

The development of value retail outlets in New Brunswick would generate increased sales and taxation revenue providing care is taken not to displace existing businesses already generating such revenue. In addition, the traffic stimulated by an outlet development would result in increased purchases of goods and services (i.e., restaurants, accommodation, garage services) providing further indirect sales tax revenue.

Sales Tax Revenue Scenario

In an article entitled "Exclusive Study Profiles Value Retailers' Sourcing Strategies" published in The Art and Science of Outlet and Off-Price Retailing and Development by Value Retail News, it was indicated that the average outlet chain in the United States operated twenty stores with an average size of 3,980 square feet. Assuming a twenty-five store development, this would give 99,500 square feet of leased retail space in a typical development.

As the New Brunswick sales tax is not applicable to Clothing and Footwear sales, taxation revenue would only be applicable to other goods. Clothing and Footwear constitute the bulk of Factory Outlet sales. Assuming 30% of factory outlet space were devoted to other goods, this would give 29,850 square feet of space generating sales tax revenue.

Typically value retail outlets in the United States generate $300 per square foot ($Cdn.) in sales. In the Canadian context this would constitute the best case scenario. A more modest estimate, perhaps more appropriate for New Brunswick, would be $225 per square foot.

Thus, a twenty-five store value retail development in New Brunswick could generate between $750,000 (29,850 sq. ft. x $225/sq. ft. x 11%) and $1,000,000 (29,850 sq. ft. x $300/sq. ft. x 11%) in provincial sales tax revenue annually.

9.5 Pressure on Infrastructure

In Section 5.1.3, infrastructure requirements for any potential value retail outlet development in New Brunswick are described in detail.

The pressures on infrastructure related to such developments can be summarized as follows:

- increased requirements for planning in relation to potential developments either at the Provincial or municipal level;
- need for effective communication between the outlet mall developer and the Province, municipality, local merchants and local residents;
- effects of the new facility on existing municipal water and sewer services in the case of locations within a municipality;
- effects of the new facility well and septic system/package treatment system on local wells and groundwater systems;

- need for expanded parking facilities for locations within municipalities;
- need for expanded traffic circulation facilities;
- need for efficient and safe pedestrian movement between malls/stores/service facilities; and
- increased requirements for police and fire services.

9.6 Effects on Unconditional Grant System

Municipalities in New Brunswick receive a transfer payment from the provincial government in the form of an unconditional grant to offset some of their operating costs. Based on a defined formula, this grant can form a considerable portion of the revenue for a municipality's annual budget. In the case of smaller villages, the grant could exceed 60 percent of the budget's revenue, while in large centres the percentage is sharply decreased.

New Brunswick's unconditional grant structure was developed as part of the 1987 Equal Opportunities Act which sought to introduce a substantial degree of equity in terms of financial resources among the province's incorporated municipalities.

The unconditional grant formula is comprised of three major elements: the municipality's population; road mileage (a proxy for overall servicing costs); and assessment base (the sum of all property values within the municipality) as well as the municipality's fiscal effort and expenditure base. In addition, the transfer funds for municipalities are divided into four categories:

- A - large cities (Fredericton, Moncton and Saint John);
- B - small cities and large towns;
- C - small towns and large villages; and

- D - small villages.

The relationship between the various factors and categories is complex, hence specific trends are difficult to assess.

The first two major elements, population and road mileage, are indicators of the degree of funding assistance required. The third element, assessment base, measures the ability of the municipality to support itself through its property tax revenue.

Obviously, the larger the assessment base, the greater the opportunity for the municipality to acquire its financial resources from properties within the community. In general, the addition of population and/or road mileage within a municipal unit will generate additional unconditional grant support, while additional assessment will decrease it. The actual relationship between assessment and unconditional grant is difficult to determine due to the interplay of the other variables in the formula. Hence, although the development of a new outlet/off-price mall will provide benefits to the community, including increasing the assessment base, its beneficial impact must be mitigated by the consequent decrease in the unconditional grant provided to the municipality.

Comparisons can be drawn between the effects of value retailing establishments on the unconditional grant system in New Brunswick and the effects of outlet based increases in the assessed values in Maine communities on educational support payments from the State to these communities. This represented a major irritant to Maine communities.

9.7 Potential Effects on Existing Retailers

The existing retail structure will typically be most affected by the almost overnight introduction of a considerable amount of retail space, albeit of a specialized nature, into the local market place. Most local retailers in smaller communities operate on a day-to-day basis and are often unaware of the significant impact to their levels of sales brought about by this introduction of new space. Almost invariably, their formerly loyal customers will, at least initially, flock to the new facility to acquire new products.

The subsequent loss in retail sales in the local stores may force some of these merchants to go out of business. If the experiences of the communities surveyed in New England are an indication of common trends, these local retailers going out of business may well find anxious purchasers for their property to further expand the value retail facilities within the municipality. The potential increase in land value may soften the blow of bankruptcy for local retailers.

The decline of a suitable mix of local retail outlets to serve local residents leads to a decrease in the overall quality of life.

On top of the competition faced by local retailers due to the rapid introduction of outside retail chains, if the local merchant sought access to a proposed value retail mall, he/she would likely be rebuffed as they would not fit the tenant mix sought by the mall developer.

As shown in the survey of New England communities with value retail malls, additional competition pressures are felt by the local retailers in the form of increased employment costs and higher land values.

In the first case, competition for available retail employees intensifies as value retail mall tenants seek staff from the local labour supply - possibly, enticing employees away from existing employment with local retailers. Secondly, increasing property values, as has been experienced in other communities, may create a "push" factor encouraging local retailers to sell out. As noted in the communities surveyed, this has been the case with local retailers either shutting down or moving to new premises away from the main retail area.

A further factor for consideration is the impact of a proposed value retail mall on local retailers in the local trade area outside the boundaries of the host municipality. Despite the requirements of public notification and a legislated public meeting for amendments to the Plan and Zoning By-law to permit a mall to be developed, these external retailers have no official means of voicing their, often legitimate, concerns. In fact, Sections 81.1 and 81.2 of the Community Planning Act were added to partially

address this issue in the sense that the Provincial Cabinet could act as an overseer of the overall process to ensure the concerns of others beyond the municipal boundaries were considered in the shopping centre approval process.

All too often, municipal councils are swayed by the seductive arguments of the mall developer and fail to consider the overall impact of the facility on the local and regional retail structure. A comprehensive socio-economic impact analysis would ensure these concerns are addressed and mitigating actions identified.

9.8 Quality of Life

Interviews conducted in Maine and New Hampshire during the field trip (see Appendix "D") communities containing value retail malls are revealing with respect to the effect of these facilities on the quality of life in the local area. Comments included:

- there is some local resentment of the value retail developments;
- outsiders involved in the industry (value retail shops) have not participated in local community life;
- property assessments have probably tripled between 1984 and 1988. Older residents have sought less expensive properties beyond the Town (10-20 mile radius);
- there has been an in-migration of outsiders. Local residents cannot afford to stay; and
- the factory outlet phenomena has been positive for Freeport, although it has been very painful for natives.

As has been discussed elsewhere in this section, the development of value retail malls in smaller communities detrimentally affected the quality of life of the original inhabitants by:

- reducing their opportunities to shop in local stores (as a number of local retailers go out of business);

- decreasing access to retail outlets for the non-automobile owning residents of the community (as often a car is essential to access these suburban retail facilities);

- land values increasing rapidly, further encouraging the diminution of community cohesion as long-time residents sell-out and move to less expensive (and likely more quiet) areas;

- growing traffic congestion, noise, crime and other aspects of urbanization affecting smaller rural communities;

- outsiders, both store managers and staff, coming into the community and failing to play an active role in community affairs (a problem often caused by both the informal barriers created by the local community establishment and the truncated management systems of regional and national chain stores); and

- an overall decrease in the apparent quality of life in the community (things just are not the same as they once were).

The paramount questions to be addressed by the community (hopefully through the use of an independent, comprehensive socio-economic impact analysis of a proposed value retail mall development) is whether or not increased assessment, employment opportunities (albeit at a relatively low level) and enhanced retailing are all worth the numerous costs such facilities incur upon the community.

10.0 CONCLUSIONS AND RECOMMENDATIONS

10.1 Conclusions

10.1.1 Major Conclusions

- The value retail concept, on the strength of successes in New England and the ability of New Brunswicks locations to satisfy the developed locational criteria, would be viable for New Brunswick subject to the following:

  - Any value retail development must include brand name goods and not be restricted to New Brunswick or Canadian products;

  - Any New Brunswick value retail development must attempt to provide a unique experience in terms of design, product offering, service and value;

  - Should a value retail development be established within the established free trade zone area, care must be taken to ensure, if possible, that stores in the development not conflict with existing retail operations; and

  - The establishment of any value retail development must be preceeded by a comprehensive financial feasibility study into the overall mall and the individual component stores.

- **Sussex offers the highest potential for location of value retailing facilities in New Brunswick.** Although Moncton scored higher and Saint John scored equally against the ten locational criteria, these two urban shopping destinations would likely be considered unsuitable by potential developers in view of free trade zone limitations.

- **New Brunswick manufacturers have little potential to take advantage of value retail merchandising as a means of selling products due to lack of brand name recognition, limited production capacity and inappropriate product type.**

10.1.2 General Conclusions

- **The value retail outlet concept is experiencing great success in the United States.** The industry has experienced growth significantly in excess of that for traditional retail activities, and industry projections are for continued growth into the 1990s.

- **Critical to the success of outlet development is the perception of value received for money spent.** This concept, not unique to outlet developments, is based on the perception by purchasers that they are buying quality goods at bargain prices.

- **The concept of outlets is evolving as the industry grows.** From the original traditional definition of the term "factory outlet", the concept has evolved into hybrid outlets featuring regular retail goods as well as seconds, and most outlets are becoming virtually indistinguishable from regular retail outlets in terms of interior decor.

- **There are a number of factors influencing the developers' decisions to proceed with an outlet development, the most important of which are vehicle traffic flow and the existence of an anchor.**

- **Free trade zone limitations constitute a major constraint on value retail outlet development.** Whereas the other nine factors identified influence the developer's decision where to locate, the free trade zone constraints dictate where not to locate.

- **Should the free trade zone continue to shrink consistent with trends in the United States, and Canadian free trade zone limitations follow that trend, Moncton, Saint John and/or Fredericton may become more attractive options to potential value retail facility developers.**

- **Potential customers for a New Brunswick factory outlet development do not differ widely from the customer profile generated in New England.**

Resident and non-resident travellers in New Brunswick exhibit the same characteristics. They differ in one principal aspect - traffic volume.

- **The factory outlet development experience in Canada is very limited.** Most Canadian developers have leaned towards the off-price structure for mall or centre developments as this approach is less risky than depending on manufacturers for outlet goods and it is easier to accommodate the traditional relationship between manufacturers and retailers.

- **Factory outlet malls or developments will continue to grow at a steady pace into the 1990s.** While development will not enjoy the double-digit growth figures of the 1980s, outlets will eventually outpace off-price stores. Off-price centres may have begun to peak in the past year. Over-development and availability of suitable sites will become major factors in their growth pattern.

- **Customers shopping at outlets are seeking primarily brand name goods that appeal to all members of the family**. New Brunswick manufacturers will be confronted with an inability to market against higher profile products emanating from the United States.

- **Aggressive marketing will be required to draw the customer traffic and assure them that they are receiving a quality product at a comparable price backed by unequalled service.**

- **Unless New Brunswick manufacturers or retailers operating factory outlets plan to import product from the United States, the FTA will have little effect on their operations.** Off-price centre operations, on the other hand, may find the reduction or elimination of duty on American goods beneficial to the importation of branded lines.

- **The planned GST will have significant negative impact on manufacturers and retailers**. In addition to the affects of additional paperwork, business will bear the brunt of additional costs for administration, equipment and marketing. The consumer will view each potential purchase of a

product as a tax on a tax, i.e., federal plus provincial taxes. This may discourage some purchasers at factory outlets. Forecasted inflationary increases may also put a burden on cash flow for small business operators.

- **A successful outlet development in New Brunswick would have a positive effect on the province's tourism industry.** Experience has shown in the United States that outlet developments become tourist attractions in themselves, drawing tourists to an area and retaining them for a period of time.

10.2 Recommendations

- **The role of the Provincial and Federal governments in relation to potential value retailing outlet developments in New Brunswick should continue to be passive but supportive.** The market will determine the opportunity for such developments in the province and active government support of the concept would be unfair to other retailers.

- **The Province should be prepared to act as a "facilitator" in the development process supporting municipalities in negotiation with developers and providing prospective developers with the findings of this study.** In addition, the province and municipalities should insist on the provision of an objective socio-economic impact assessment of a proposed value retail development as part of the approval process.

- **If value retail outlet developments proceed in New Brunswick, the Province should assure that infrastructure concerns are adequately addressed.** Negative impacts of such developments can be minimized if development is controlled.

- **Site specific feasibility studies should be carried out for any proposed development in New Brunswick.**

- **Potential developers of outlets in New Brunswick should be encouraged to develop a thematic architectural approach to building design such as**

is currently being pursued in the United States in order to develop a distinctive market image.

10.3 Implementation

The Department of Commerce and Technology originally commissioned the Analysis of the Concept of Factory Outlets for New Brunswick to determine the potential of factory outlets as an economic development tool for the Province. The study has revealed, however, that there is only limited potential for marketing of New Brunswick goods through factory outlets. The potential lies in the retail sector as opposed to the manufacturing sector.

The Department has taken the position that factory outlet development should be entirely a private sector initiative which will proceed subject to market forces. Thus, the Department's role would be that of facilitator and regulator. This study can be implemented consistant with that role.

It should be noted that a group of private investors in the Moncton area is planning to construct a factory outlet mall in conjunction with the developments at Magic Mountain/ Magnetic Hill (pers. com. G. Rossignol). This will affect implementation of the results of the study in that a development at Moncton would likely preempt one at Sussex. It should be noted, however, that a development in Moncton would contravene industry-accepted free trade zone restrictions.

10.3.1 Policy Decision

Upon receipt of the final report, a policy decision will have to be made on the role of the Department of Commerce and Technology in relation to project implementation. The Department can take either a proactive or reactive position, both of which can be consistant with the current Departmental position.

A proactive position would involve active liaison with developers, New Brunswick entrepreneurs and manufacturers and potentially affected municipalities to stimulate interest in the concept. The role of the Department would be to bring the parties

together whereupon the private sector would assume leadership. The advantage to this approach is that there would be some control over the direction such development would take without directly involving government in the "bricks and mortar".

A reactive approach would involve making the report publically available and waiting for the private sector to take the initiative in whatever direction it chooses. Although this would assure that the Department would not become directly involved in development, it would reduce the potential to control the negative effects of such developments.

It is recommended that the Department of Commerce and Technology take a proactive approach in concert with other implicated departments including Tourism, Recreation and Heritage, Municipal Affairs and Transportation.

10.3.2 Distribution of Report

It is recommended that, prior to general public release of the study results, copies of the report be made available to the eleven municipalities considered in the evaluation.

The Department of Commerce and Technology should then issue a press release announcing the completion of the study and the availability of the report. This, in itself, will stimulate a certain amount of interest in the concept.

Copies of the reports should be distributed to those departments which would be implicated should factory outlets be constructed in the Province, namely Tourism, Recreation and Heritage, Municipal Affairs and Transportation (minor implications).

10.3.3 Industry Watch

The factory outlet concept is experiencing great success throughout the United States and, more importantly, within fifty miles of the New Brunswick border in Maine. It is, thus, likely that the private sector will view New Brunswick as an opportune place to pursue outlet development. It is essential that government be prepared to deal with

the concept accordingly and this will only be possible if government is fully cognizant of industry development and trends.

It is recommended that the Department of Commerce and Technology subscribe to Value Retail News and obtain annually copies of The Art & Science of Outlet and Off-Price Retailing and Development and The Book on Value Retailing. These publications are the definitive industry watch reports.

The Department should send a representative to one of the twice-yearly value retail conventions sponsored by Value Retail News. Participants in these conventions include developers, manufacturers and key industry participants. Attendance at these gatherings would bring the Department to the front lines of the industry.

The Department of Commerce and Technology should also monitor planned/proposed developments in Ellsworth, Truro and Moncton all of which could affect potential developments in New Brunswick.

10.3.4 Liaison Activities

The Department of Commerce and Technology should liaise with each of the municipalities considered in the study prior to public release of the report. This will assure that the results of the report are understood and may avert a negative reaction were the report to be summarily released.

The Department should make New Brunswick manufacturers aware of the report and its findings and liaise with those manufacturers which have potential for marketing through this medium.

Liaison with potentially affected New Brunswick government departments would assure that maximum advantage would be taken of any factory outlet development and that the problems associated with any such development would be minimized.

Should the Department decide to take a proactive approach to implementation, it could facilitate a meeting between the Enterprise Property Group of Toronto, Ontario and any

interested local entrepreneurs and/or municipalities. Priority should be given to the Sussex area consistant with the report findings.

APPENDICES

APPENDIX "A"

LITERATURE SEARCH

PRINTED SOURCES

Evaluation of factory outlet/off-price retail markets through printed literature is complicated due to the differences in the Canadian and American approaches to defining a factory outlet. For example, U.S. documents such as Predicasts consistently use the term off-price or discount stores to include factory outlets. Canadian business literature usually includes outlets under retail trade sub-sections. This difference may be accounted for by the general immaturity of the overall factory outlet market in Canada as compared to the United States.

Regardless of the source, the most relevant information available starts in the 1980's. Very few leading texts mention developments in this sector of the retail trade. Consequently, almost all relevant material is found in very specialized business journals or trade publications. Overwhelmingly, the leading industry watcher is Value Retail News, published in Florida. On a monthly basis this organization publishes a wide range of articles on marketing and development of factory outlets/off-price stores under the broader value retailing umbrella. Annually, they also publish the Book of Value Retailing which includes very specific data on hundreds of outlet developers, retailers and tenants. As well, this body can provide leasing software which provides information on current store sites, development strategies and general market conditions.

National trends in retail trade which reflect on factory outlets in the United States are covered by publications such as Stores from the National Retail Merchants Association. Similarly, pertinent information on retail marketing and industry direction is analyzed in Chain Store Age and Shopping Center Age.

A wide range of Canadian and U.S. periodicals report on the factory outlet phenomenon. These include the Financial Post, Financial Times, New York Times, Boston Globe, Wall St. Journal, Forbes, Nation's Business, Globe & Mail, Business Week, Harvard Business Review, Canadian Business, Money, Marketing News, and Marketing.

Developments affecting merchandising and the general industry are explored by the Retail Council of Canada, the U.S. National Shopping Centers Association and the International Council of Shopping Centres.

DATABASES

The most relevant and useful computer database source of information is the Dialog Information Retrieval Service. Utilizing the Dialindex system within this service, current records were identified in relation to factory outlet development. These data include information on developers, retailers, industry watchers, individual companies and broader coverage of the retail trade. Some 320 databases including national and regional newspapers, trade publications, newsletters, business directories, financial reports and corporate press releases are reviewed.

For a large segment of the industry and market analysis, the most relevant databases include:

- PTS Newsletter Database - reports specifically on outlet mall construction development across North America.

- Industry Data Sources - supplies details on retail tenants, shopping center directories, product lines, locations, sales volumes.

- Newsearch - daily index to more than 2000 news items and information articles from local and regional newspapers, periodicals, and business publications. Current information on the impact of factory outlets is found within this database.

- PR Newswire - dispenses complete texts of news releases prepared by companies, trade associations, government agencies and industry watchers. Invaluable in assessing business development plans for corporations in the United States.

- PTS PROMT - provides an overview of markets through access to business magazines, government reports, trade journals, and newspapers in North America. Incorporates a large selection of European and Far Eastern documents. It contains very pertinent data for tracing trends in the retail industry.

- Cancorp - provides directory, financial and textual information on approximately 5600 public and private corporations. It is useful in assessing individual factory outlet companies and possible developers.

APPENDIX "B"

TELEPHONE SURVEY OF FACTORY OUTLET OPERATORS

APPENDIX "B"

A survey of factory outlet operations in Maine, New Hampshire and, to a lesser extent, Canada was conducted to obtain consistent, detailed information from factory outlet operators. The primary goals of the survey were:

- to define what constitutes a factory outlet;
- to establish locational criteria for factory outlets;
- to assess problems and opportunities in relation to factory outlets, and;
- to acquire data useful in assessing the applicability of the factory outlet concept for New Brunswick.

A sample of 54 outlets was selected to give a representative cross-section of those outlets retailing products comparable to those produced by New Brunswick manufacturers. Of the sample of 54 outlet operations, 33, or 61%, participated in the survey. Reasons for non-participation include:

- not permitted to discuss operations;
- do not wish to discuss operations;
- manager not available, or
- not a factory outlet or discount operation.

Sampling participation is summarized as follows:

AREA	CONTACTED	PARTICIPATING
Freeport, Me. area	15	11
Kittery, Me. area	15	11
North Conway, NH area	15	10
Bangor, Me. area	2	1
Chains (Dexter, Bass Shoes)	2	0
Canada	5	0

NOTE: Of the five Canadian firms contacted, three did not return telephone calls, one manager could not be contacted, and one did not consider themselves to be a factory outlet or discount operation.

Attached are:

copy of questionnaire used in the survey;
summary of survey results; and
list of factory outlets participating in the survey.

Highlights

Location was considered to be critical to the operating success of the participating factory outlets, the key locational variables being:

- proximity to significant traffic volumes;
- proximity to other factory outlets;
- proximity to an "anchor" store; and
- proximity to tourist attractions.

Concerns common to all of the factory outlet areas include:

- lack of public restroom facilities;
- traffic flow within the area;

- high incidence of shoplifting; and
- obtaining adequate staff.

SUMMARY OF FACTORY OUTLET OPERATIONS

The following is a summary of the responses received in the survey of factory outlet operations. Based on the sample of 54, 33 outlets participated, constituting a 61.1 percent participation rate.

1. Of the factory outlets surveyed, 17, or 52 percent, were manufacturer-owned, while 15, or 45 percent, were operator-owned. One was corporation-owned. Three of the 33 outlets surveyed did not consider themselves to be factory outlets or discount operations, but rather stores offering lower prices than retail outlets. Only one outlet contacted, Buyer Factory Store in Orono, was a factory outlet according to the traditional definition, located within the factory and retailing their products at discounted prices.

   Thirty-six percent of outlets surveyed carry both premium quality goods and irregulars/close-outs. Owner-operated outlets retailing premium quality goods comprised 24 percent of the sample, while manufacturer-owned outlets retailing both premium quality goods and irregulars/close-outs represented 21 percent. While there was a relatively even distribution of manufacturer-owned outlets dealing with irregulars/close-outs(4), premium quality goods(6), or both(7), there were no operator-owned outlets retailing solely irregulars/close-outs, and five retailing both premium goods and irregulars/close-outs.

   Thus, from the survey results, the term "factory outlet" is very broadly perceived by industry participants. A factory outlet can either be a manufacturer-owned, corporation-owned, or owner-operated outlet, retailing the goods of one or more manufacturers, carrying either or both premium quality goods and/or irregulars and close-outs, at discounted prices.

2. The majority of outlet stores (76 percent) surveyed are part of a mall/complex. In Kittery, Maine and North Conway, New Hampshire, two of the three locations surveyed, outlets are primarily located in malls, with few stand-alone structures. Freeport, Maine has more stand-alone structures, but has the benefit of most stores being within walking distance of one another.

Specific comments concerning malls versus stand-alone structures include:

- people do not like cold;
- better to establish business in a mall setting;
- better year round business (Cambridge Dry Goods, in an outdoor complex, Freeport);
- better to locate in a mall; versus stand-alone; and since people would rather shop inside in winter (Linens 'n Things, Kittery).

Stand-alone structures tend to have another outlet next door, although one outlet operator was 1/2 mile from the nearest outlet operation. Outlets located away from the main outlet areas are small owner-operated outlets, not dealing with brand name labels.

Over 57 percent of outlets were in single level structures. One operator of a multiple level structure (Kitchen Collections) recommended that operators consider not having a split level store, as many people have expressed dissatisfaction with climbing stairs. Another operator (Curtains Plus) identified a need to have wheelchair access ramps, and allow room in the aisles for wheelchair shoppers.

There appears to be no consistency, based on results from the telephone survey, as to the size (square footage) of operations, even across product lines. Outlets contacted ranged from 1000 ft^2 to 10,000 ft^2. Outlets carrying apparel for both sexes tend to be larger than other apparel stores.

Parking facilities are a critical factor in all outlet centers, although in Freeport, there are mostly municipal parking facilities versus store or mall-specific parking facilities.

Seasonal employment is high, with many jobs being created in tourist seasons (summer, Christmas). Employment, in person-months, is dependent on the size and scope of the operation, ranging from 24 person-months employment to 480 person-months employment in the sample. Apparel stores tend to generate more employment than do other product lines, such as leather goods and knitwears. In North Conway, employment is high throughout the winter months due to the proximity to popular skiing facilities.

All outlets contacted operate year round, although operating hours are subject to change during periods of lower business activity. Outlet operators noted that business is strong enough during the tourist season to warrant full year operation.

3. The number of manufacturers products retailed at outlets is dependent on the product line(s) the outlet carries. Apparel stores generally carry one label (8 of 11, or 73 percent), while leather goods and linen stores can carry upwards to 200 different labels. Most shops carrying a large name brand, such as Polo, have exclusive rights to the product name in the outlet area.

4. The sample was determined based on product lines that were similar to products manufactured in New Brunswick. There are many women's/men's/children's outlets in the three outlet centers, as well as a wide variety of other types of outlets, such as craft and woodworking, footwear and toy stores. Of the outlets surveyed, 27 percent carried women's apparel, 18 percent carried men's apparel, and 12 percent carried children's apparel or kitchenware and houseware.

5. Location was considered to be critical to the success of factory outlet operations by 97 percent (32 of 33) of the respondents. Twenty of the 33 respondents, or 61 percent, identified proximity to significant traffic volumes as the key locational factor, while 9 respondents (27 percent) cited proximity to other factory outlets as the key factor. Only two other locational factors were cited as being the most important, those being proximity to other tourist attractions and proximity to an "anchor" store, such as L.L. Bean. Proximity to urban areas was not considered to be all that important, while real estate costs are more of a

deterrent than an attraction. Other locational factors cited include visibility of the outlet store, having a big name outlet in the outlet area, nearby parking facilities, and ease of access on and off the turnpike.

Specific comments include:

- have to be near "anchor" store, and be visible. People come to visit L.L. Bean, are tunnel-visioned, must get them to see you (Toys Unlimited).
- best to be in the middle of the outlets, more traffic flow (Kitchen Collections, Curtains Plus)
- outlet area is a tourist attraction in itself (Fanny Farmer Factory Outlet)
- "anchor" store is a key to business (Gitano, Dansk)
- location relative to "anchor" (L.L. Bean) is "raison d'etre" (Casey's Wood Products)
- "name" stores impact on your business, are the volume generators (Laura Ashley)
- no traffic volume, no business; traffic is the operating key (Icelandic Icewear Knits Outlet)
- location is the key to operating; our North Conway outlet does super business in winter (near ski hill), while in Kittery, we have three times the sales in summer. Year round tourist location best (Le Sportsac).
- visibility is a key; location in Laconia is closing - obstructed by mall/motel (Timberland).
- need the traffic volume mostly, have outlets in other non-factory outlet areas that are very successful (Van Heusen)

- people go to tourist attractions to spend money, therefore a prime area to establish business (Van Heusen)

- operating out of the factory allows us to get to know our clientele and their concerns; an actual feedback process without undertaking a survey (Buyer Factory Store)

6. Most operators were not all that familiar with infrastructure concerns, since all but one were renters. Fourteen of the 33 operators identified zoning as impacting on their businesses. This is mainly due to sign ordinances in both Kittery and North Conway. The lack of standard hours of operation were a concern to three outlet operators, while parking and traffic management was an expressed concern in the Freeport area. None of the participants feel victimized by the bylaws, since all outlets must adhere to them.

Specific comments include:

- all shops should open/close at the same time, lack of standard hours confuses shoppers and can deter business (Fanny Farmer Outlet Store)

- must plan for growth in factory outlet area, zoning will get strict (Laura Ashley)

- establishing authorities should plan ahead when setting up outlet area, there will be a boom, zoning will become stricter (Accessory Factory)

7. Only fourteen of the 33 outlets surveyed, or 42 percent, undertook their own sales promotions, while the remainder did not. Word of mouth was considered the most important promotional tool by 22 of the 33 respondents (67 percent), while 30 of the respondents, or 91 percent, considered it one of the top three promotional tools for their business. National advertising, brochures, and local newspapers were the next three most important means of advertising. Other

means of promoting businesses include magazine advertising, radio advertising, mail order catalogues, mailing lists, and the location itself. Certain outlets had unique methods of promoting their business: bridal fairs (Reading China and Glass), use of store flyers (Toy Liquidators), discount coupon program (Gitano), and a 500 Club, where purchasers of over $500 in merchandise are eligible for a monthly draw for a $100 gift certificate (The Leather Loft Factory Outlet). Television advertising was not seen as a viable means to promote business due to the cost, while sign ordinances restrict the use of signage to promote business.

Specific comments include:

- do not want to compete with ongoing retail operations, therefore we do not advertise (Polo, Ralph Lauren Factory Store, Toys Unlimited)
- no need to advertise, traffic volume is all you need (Icelandic Icewear Knits Outlet)
- outlet area advertises for you, no need to undertake further promotion (Cambridge Dry Goods)

8. Price was identified as the main factor attracting customers to a factory outlet by 29 of 32 respondents (91 percent). The other three respondents saw it as the second most important factor. In rank order, the other factors that attract customers to a factory outlet are selection, service and atmosphere. Other factors that attract customers include: "brand name" items in the area, location itself, the quality of the line(s) carried, and the attractiveness and appearance of the outlet.

Specific comments include:

- looking good is as important as being good (Hathaway Factory Outlet)
- people are looking to find something they cannot find at home (Accessory Factory)

- keep prices low, don't deceive the people (Chuck Roast)

9. Shoplifting is the main operational concern of respondents, with 42 percent identifying it as a problem. Control of shoplifting is difficult in outlet areas due to the large crowds experienced in peak seasons, lack of staff to control shoplifting, and the presence of professional shoplifters in outlet areas.

Parking was considered an operating concern by 12 participants, or 36 percent of the sample, mostly in the Freeport area, where little storefront parking exists. Concerns specific to Freeport include lack of staff parking, lack of parking specific to outlet operations, and the congestion and lack of parking on weekends.

Adequate staffing is difficult to obtain in the three outlet centers, especially in peak seasons, as there is competition for limited human resources. Eleven participants, or 33 percent of the sample, cited this as a limitation or a concern. Smaller operators were more concerned with staffing, since they cannot pay wages competitive to some of the larger outlet operations. Employment competition also comes from the restaurant industry.

Only three outlets identified obtaining adequate goods as an operational concern. Polo and Ralph Lauren Factory Outlet have a problem obtaining adequate goods at times since retail operations have first crack at the goods, thus the quality of goods received is not always what is desired. Obtaining adequate sizes of clothing was cited as a concern by the other two.

Few stores accept foreign exchange (i.e. Canadian dollars). As banks in the outlet areas are open Saturdays, it is not an operational concern or limitation. One outlet, Specials, accepts Canadian money and keeps the same exchange rate for the full week. Problems of depositing of funds and fluctuating exchange rates were identified as deterrents to accepting foreign currencies.

Returned goods were not identified as a concern. Many stores have an "all sales final" policy, while others have lenient policies. With much of the traffic being tourists, there is less chance of goods being returned.

Other operational concerns cited were: lack of a public transportation system, sign ordinances, traffic congestion, and lack of public restroom facilities in the outlet areas.

10. All 33 outlet operators surveyed had adequate support services near their businesses. Twenty-nine, or 88 percent of participants, felt they were very important to operations, two were neutral, and two felt that they were not important to business. Since all three outlet centers are on heavily travelled roads, day trippers were seen as offering sufficient business by those four outlets not considering support services important to business. Others noted the increased traffic volume due to the support services, the proximity (walking distance) from outlets, and the willingness of motels/hotels to promote their businesses as key factors in operating.

11. Twenty-three participants identified "name brands", in general, as being the most successful outlet operations. Of those identifying specific stores, eight identified L.L. Bean, six, Polo, and three, J. Crew. All of the other outlets identified as being the most successful were name brands. Many participants felt that an outlet operation cannot survive without the presence of anchor stores and/or name brand stores.

Many reasons were identified as to why specific outlets have either failed or relocated. Not only is it the smaller, locally owned outlets that close out, but many large name brand outlets do as well. Guess Jeans (Freeport), Jones of New York (Freeport), and Timberland (Laconia, NH/Bangor, Me.) are some of the brand name outlets that have either failed or relocated. Reasons for failure or relocation include: poor promotion, one dimensional product line, parent company going bankrupt, poor location (visibility, relative to traffic flow), cost of goods (versus perceived cost), and failure to provide enough time to become established as a viable operation.

12. No outlet operator could provide a realistic profile of their clientele. While several national surveys have been conducted by parent companies, results are very general in nature.

Each product line has a target: Hathaway targets the middle-aged businessman, Laura Ashley targets upscale females, mostly professional, and Aileen targets an older, more affluent female market. Yet, these market segments are not the only ones shopping in these outlets. The majority of outlet operators note that their shoppers are a good mix, with more family-oriented shopping in the summer months, while the winter months involve more singles, couples without children and grandparents.

Average age of adult shopper varies according to the product line(s) carried. The only conclusion that can be drawn is that all age groups shop in the outlet areas, not just one specific age group.

Average per person sales vary according to product line as well. Very few stores identified the average client as spending over $200. Apparel outlets felt that over 40% of sales were between $50 and $200, while name brand stores such as Laura Ashley and Cambridge Dry Goods estimated that 10-20% of customers would generate more than $200 in sales. Overall, the majority of customers shopping at factory outlet stores will spend less than $200 in a particular store.

The summer months are characterized by tourists from all over the world visiting the three outlet centers. A large percentage of the traffic would be from over 300 miles away, coming from Quebec, New Brunswick and Nova Scotia in Canada, New York and surrounding states (U.S.A.) and Europe. In winter, much of the business volume comes from neighbouring states (Massachusetts, Vermont, Rhode Island), and bus tours passing through the area.

Overall, it is very difficult to classify the clientele visiting outlet areas. Visitation is not restricted to specific age groups, or specific income levels, although many shops are upscale in the outlet areas. Seasonality is a big issue

for operators, who depend on the peak months to carry them over the lean months. Freeport and Kittery have a weak season from January to May, while North Conway experiences a business fall-off in "mud" season (April-mid June) and "foliage" season (late September-mid October). The clientele base varies from season to season, with the base within a 200 mile radius taking on increasing importance in the lean months.

General:

Many concerns not relative to the specific questions were raised. A major concern was the lack of public restrooms in all three outlet centers. As well, lack of parking in Freeport was a concern, partially created by rapid growth in the area; all three outlet centers experienced rapid growth in the 1980s.

Other specific concerns include:

- many people are travellers and do not have room to take certain items back home with them; businesses should consider offering a shipping and/or layaway program to customers (Toy Liquidators)

- cannot forget the necessities for people that live in the area; Freeport does not even have a grocery store anymore (The Whole Nine Yards)

- locals despise factory outlets in the area; is a misnomer, prices are not any cheaper; locals stay away from area from May until mid-October, avoid on weekends (The Whole Nine Yards)

- outlet center changes whole way of life; small community once closely knit becomes depersonalized, no longer know all your neighbours; locals despise it; lifestyle must adjust and environment changes, ruins the culture of a community. Want to build bypass off Route 16, would result in some locals losing their houses (Curtains Plus)

- solid management is important to success of an outlet (Dansk Factory Outlet)

PARTICIPATING FACTORY OUTLETS

Hathaway Factory Outlet
Michele, manager
Route #1
KITTERY, ME.

The Children's Outlet
Donna McDermaid, manager
Route #1
KITTERY,ME.

Polo, Ralph Lauren Factory Store
Dave Melhorn, supervisor
76 Main St.
FREEPORT, ME.

Gitano
Laurie, asst. manager
NORTH CONWAY, NH

Cambridge Dry Goods
Julie Hulse, district manager
42 Main St.
FREEPORT, ME.

Chuck Roast Factory Outlet
Susie Lemire, manager
NORTH CONWAY, NH

Curtains Plus
Jean Blais, manager
Route 16
CONWAY, NH

A String of Beads
Anne Purdue, manager
Route 1
KITTERY, ME.

The Leather Loft Factory Outlet
Diane, manager
Route #1
KITTERY, ME.

Toy Liquidators
Doug Comolli, district manager
Route #1
KITTERY, ME.

Van Heusen
David Smith, manager
Route #1
KITTERY, ME.

Aileen
Phyllis Kimble, manager
Route #1
KITTERY, ME.

The Patagonia Outlet
Peter Ryan, floor manager
9 Bow St.
FREEPORT, ME.

Specials
Sonya Hanson, manager
NORTH CONWAY, NH

Laura Ashley
Karen Fresne, manager
60 Main St.
FREEPORT, ME.

Buyer Factory Store
Jay Shields, manager
ORONO, ME.

Timberland Factory Outlet
Linda Davis, supervisor
42 Main St.
FREEPORT, ME.

Liberty Leather
Anne, manager
Route 16
NORTH CONWAY, NH

Accessory Factory
Rebecca Burle, manager
2 Depot St.
FREEPORT, ME.

Toys Unlimited
Niki, manager
136 Main St.
FREEPORT, ME.

Reading China and Glass
Mary, manager
Route #1
KITTERY, ME.

Dansk Factory Outlet
Susie Sickels, asst. manager
92 Main St.
FREEPORT, ME.

Fanny Farmer Outlet Store
Sarah Mortensen, manager
123 Main St.
FREEPORT, ME.

The Whole Nine Yards
owner (would not give name)
22 Main St.
FREEPORT, ME.

Icelandic Iceware Knits Outlet
Normand Wilson, owner
NORTH CONWAY, NH

Linens 'n Things
Barry Dinkelaker, manager
Route #1
KITTERY, ME.

Ellen Tracy
Carol, manager
NORTH CONWAY, NH

Kitchen Collections
Conrad, asst. manager
Route #1
KITTERY, ME.

Bowl and Board
Judy Conway, manager
NORTH CONWAY, NH

Casey's Wood Products
Eric Johnson, owner
15 1/2 School St.
FREEPORT, ME.

Annies Book Shop
Margo Miller, manager
NORTH CONWAY, NH

Le Sportsac
Gina, asst. manager
Route #1
KITTERY, ME.

White Mountain Woolens
Robert Meredith, owner
CONWAY, NH

APPENDIX "C"
AGENCY INTERVIEWS

AGENCY INTERVIEWS

Representatives of the following agencies were interviewed to assess their agencies' interest and involvement in the factory outlet concept:

- Department of Commerce and Technology
- Department of Municipal Affairs
- Department of Tourism, Recreation and Heritage
- Department of Fisheries and Agriculture
- Department of Agriculture
- Regional Development Corporation
- Atlantic Canada Opportunities Agency
- City of Moncton
- Fredericton Chamber of Commerce
- Charlotte County Business Development Centre
- Better Business Bureau of Maine

Agency representatives were interviewed using a common format to assure consistency. A copy of the questionnaire is attached.

Interview Results:

- Provincial government department representatives interviewed subscribed to the traditional definition of "factory outlet", that being a factory owned store selling the products (either first quality or seconds and irregulars) of that manufacturer.

- Other agencies interviewed had a broader view of the concept in that they had more intimate knowledge and experience.

- Factory outlets in New Brunswick of which interviewees were aware included:

  Hart Shoes (Fredericton)
  Benetton (Moncton)
  Ganongs (St. Stephen)

J M L Shirts (Edmundston)
Madawaska Weavers (St. Leonard)
Connor's Brothers (Blacks Harbour)
Wheeler Accessories (Fredericton)
McCains (Florenceville)
Moosehead Brewery (Saint John)

- There was minimal agency involvement with Factory outlets. The Department of Commerce and Technology has worked with several identified outlets but only under existing programs for manufacturers. The Charlotte County Business Development Centre has, in the past, investigated the potential for factory outlets for St. Stephen.

- Tourism, Recreation and Heritage is working with the City of Moncton in evaluation of a factory outlet project. The project involved is in relation to the Magnetic Hill/Magic Mountain development and the Departments interests are only pursuant to the tourism implications of the project and the potential for factory outlets to support existing developments and stimulate new visitations.

- The representative of the Charlotte County Business Development Centre indicated that his group had reached the following conclusions:

  1) Factory outlet malls require an "anchor" to succeed; and

  2) There is difficulty in finding Maritime manufacturers with large enough volume of production to allow them to participate.

- None of the agencies interviewed were aware of any published studies in relation to factory outlets. The Department of Commerce and Technology provided the publication entitled "The Scope of the Shopping Centre Industry in Canada, 1989".

- Of the agencies interviewed the following were considering the factory outlet concept as a means of furthering their goals:

- Tourism, Recreation and Heritage is very interested in the concept as a means of attracting tourists. Tourism industry surveys have indicated that shopping is a preferred activity for tourists.

- Agriculture is supporting the concept in the form of Farmer's markets and outlets for products such as maple sugar.

° Half (4) of the agencies interviewed felt that the factory outlet concept would be consistent with their goals.

° The following New Brunswick products were indicated as being worthy of consideration for outlet-type sales:

  ° Primary agricultural products (farmer's markets)
  ° Processed foods
  ° Furniture reproductions
  ° Craft
  ° Clothing
  ° Footwear
  ° Fisheries products
  ° Souvenirs/crafts
  ° Traditional heritage products
  ° Fish specialty products
  ° Blown glass products

Note: This product list represents the opinions of the interviewees and is not a conclusive list.

° Funding programs, potentially available to entrepreneurs considering establishing factory outlets include:

  - Charlotte County Business Development Centre. Entrepreneurs can obtain up to $75,000 at prime rate plus one percent in a loan with repayment tailored to the needs of the entrepreneur.

- Municipal Affairs is currently formulating the implementation criteria for a downtown development program. The program could potentially have funding for building conversions and street scaping in the context of downtown development.

- Regional Development Corporation. Funding could potentially be available from RDC only if the proponents qualified for federal job creation funding resulting in a significant amount of employment.

- Tourism, Recreation and Heritage does not currently have funds available for outlet development but would be prepared to consider funding requests in the future in relation to outlet infrastructure development which would stimulate tourist visitation.

- Agriculture. The recently signed federal/provincial sub-agreement on agriculture offers some possibilities for funding of outlets in relation to agricultural products. Implementation guidelines are currently being formulated.

APPENDIX "D"

FIELD TRIP REPORT

Field Trip Report - Factory Outlet Study

From October 23 to October 27, 1989, study team members visited factory outlet locations in Freeport and Kittery, Maine and North Conway, New Hampshire. In addition, information pursuant to the study was acquired in Bangor, Skowhegan, Augusta and Portland in Maine and Portsmouth, New Hampshire.

The purpose of the field investigation was:

1. To interview key industry participants, municipal officials, non-factory outlet retailers, Chambers of Commerce and people knowledge about the factory outlet industry;

2. To obtain a general overview of the factory outlet industry and a hands-on feel for problems and issues;

3. To record on film (video, colour slides, B/W and colour prints) examples of factory outlets in the locations visited; and

4. To collect industry publications to be included with the final report.

The following schedule indicates activities which took place and is followed by detailed accounts of interviews.

Monday, October 23

- Travel Fredericton to Bangor
  - Visited Buyer Factory Outlet in Orono
  - Met with Dr. Rand Erb, Executive Director, Canadian-American Centre, U. of Maine
  - Met with Roy Daigle - General Manager - Bangor Mall
  - Visited University of Maine, Orono to investigate several data sources
  - Visited Husson College to obtain economic data

- Travel Bangor to Skowhegan
  - Visited New Balance Factory Outlet

- Travel Skowhegan to Augusta
  - Visited Department of Economic and Community Development, Maine State Planning Office (Economic Analysis Division) and Maine Economic Data Centre

- Travel Augusta to Freeport
  - Visited selected stores, took pictures

Tuesday, October 24

- Visited Tourism Information Centre - gathered publications
- Met with Stuart McGeorge, Director of L.L. Bean Retail Store
- Met with Edgar Leighton, Freeport Merchant (non-factory outlet)
- Met with Dale Olmstead, Town Manager, Freeport
- Extensive video and picture work
- Informal interviews with merchants

Wednesday, October 25

- Travelled Freeport to Portland
  - Met with Grace Russell, Vice President of Operations for Ram Management - a major outlet mall developer

- Travelled Portland to Kittery
  - Met with David Moulton, President of the Kittery Chamber of Commerce and Bruce Clark (also with Chamber), both non-factory outlet businessmen
  - Visited outlets, took pictures

Thursday, October 26

- Met with Philip McCarthy, Town Manager, Kittery
- Visited Chamber of Commerce office in Portsmouth, N.H.
- Filming and videos
- Discussions with merchants

° Travelled Portsmouth to North Conway

- Met with Maureen Cason, Director of Chamber Services, for the Mt. Washington Valley Chamber of Commerce and Visitors Bureau
- Visited outlets, took pictures

Friday, October 27

- Met with Curtis Lunt, Town Manager, Town of Conway
- Video and pictures
- Accumulated printed material
- Informal discussions with outlet operators

° Travelled from North Conway, N.H. to Fredericton

INTERVIEWS

A. Dr. Rand Erb, Executive Director, Canadian-American Centre, University of Maine

The study team visited Dr. Erb in pursuit of any economic impact or retail sales studies that might be available. Mr. Erb did not personally know of any studies but referred us to Dr. John Sullivan of Husson College in Bangor and phoned ahead to introduce the team. In addition, Mr. Erb suggested that the study team meet with Roy Daigle, Manager of the Bangor Mall whom he characterized as very knowledgeable in retail trade in the region and in the concept of factory outlets/off price stores.

It should be noted that the Canadian-American Centre was engaged by the Governor of Maine to study opportunities related to free trade. The resultant publication, The Maine Canada Connection - New Opportunities for Maine Business, published in 1989, is appended.

B. Roy Daigle, General Manager, Bangor Mall

- The concept of factory outlets/off price stores has peaked. Mr. Daigle felt that the market for such facilities was fast becoming saturated and that regular retailers were rising to the challenge with their own marketing strategies.

- Approximately 30% of business, annually, at the Bangor Mall is from Canadians. This percentage is considerably higher on weekends (especially Canadian holiday long weekends) and during July and August.

- Mr. Daigle indicated that the following attributes draw customers:

  - Value (good value for price paid)
  - Quality (quality merchandise)
  - Selection (good range of products, sizes, prices, etc.)
  - Price (low prices)
  - Tenant Mix (good selection of stores in a location)
  - Service (efficient, courteous, knowledgeable staff)

  He emphasized that value was by far the most important factor.

- In any mall or concentration of stores, the concept of an "anchor" is critical, be it a major department store, L.L. Bean in Freeport or the Kittery Trading Post in Kittery or the year round tourism attractions and facilities of North Conway.

- The mall concept for outlets offers the best presentation.

- There was a factory outlet/off price mall planned for the Ellsworth area but the project is on hold. The original developers from Georgia are looking for local partners.

- Mixing outlet/off price stores with regular retailers in a mall situation is not viable. The reaction of regular retailers would be very negative.

- Off price outlets in existing malls do not generate the levels of profit needed (rent is percentage of gross sales) particularly when they may be competing directly with existing retailers.

C. Stuart McGeorge, Director, Retail Store, L.L. Bean, Freeport, Maine

- Mr. McGeorge is on the Boards of Directors of the Freeport Merchant's Association and the Greater Portland Convention and Visitors Bureau as well as participating in the Mid-coast Business Council.

- L.L. Bean is 75 years old but prior to 1981 stood alone with no outlets/off price centres in the community.

- Mr. McGeorge felt that the principal reasons for factory outlets locating in Freeport were the traffic on nearby Route 95 and the existence of L.L. Bean (anchor).

- He felt that the outlet phenomena had not peaked.

- Property values in Freeport have increased dramatically since 1981 and this has driven traditional merchants and residents out of the area. He cited several businesses and service stations which have disappeared off Main Street. The current costs for land are in the order of $22 per square feet.

- Property values closest to L.L. Bean have been affected the most.

- Mr. McGeorge suggested that the team contact Edgar Leighton, owner of the local 5¢ - 10¢ store and a hardware outlet, to obtain the views of a non-outlet merchant. Mr. Leighton is a native of Freeport and was the original owner of the building across the street from Bean's in which the first outlet, Dansk, located in 1981 following a fire which destroyed the existing business.

- The factory outlet phenomena has been positive for Freeport although it has been very painful for natives. The outlets have sustained growth in Freeport, increasing the tax base and reducing unemployment.

- Many older residents have moved out of town because of the increased people pressures and the age distribution in the community has changed.

- Unemployment in Freeport is approximately 0%.

- A major issue in Freeport is taxes. As the value of the tax base increases, the State reduces its contribution towards education on the basis that the Town can afford to pay more. This has resulted in tax increases to pay for education; tax increases which are being attributed by local residents to the outlet's affect on the tax base.

- Customer base at L.L. Bean is educated, upper income.

- In the early stages of development, there were law enforcement problems with local residents but this has diminished considerably with improved economic conditions.

- There is an excellent working relationship between local merchants (outlet and traditional retailers) and the Town. Communication has been critical to this success.

- The community has stringent building codes and a full-time Codes Enforcement Officer. In the early stages of development of outlets in the community, codes were sometimes overridden in the interests of getting a store to locate. This no longer happens.

- 5-6 million cars pass through Freeport annually.

- Some outlets have failed in Freeport. Most have failed primarily due to poor management and lack of commitment. Occasionally failures can be attributable to extreme competition. (i.e. 3-4 Christmas specialty shops in one area).

- Freeport has experienced problems with the absentee landlord character of the outlet business. Many outlets are from chains headquartered out-of-state. They install their own managers from outside the area. These individuals have no local commitment, do not know the area and weaken the local merchant's association because of lack of participation.

- There is no financial support available in Maine to entrepreneurs building outlets.

- Freeport has a distinct advantage over Kittery and North Conway in that you can park your vehicle and visit more than 100 outlets.

- L.L. Bean used two consultant's specializing in location of retail facilities in deciding where to locate their outlet in North Conway. The primary considerations were traffic, proximity to other businesses and availability of support services.

- The L.L. Bean store represents every item in their catalogues.

D. Edgar Leighton, owner Leighton's 5¢ to 10¢ and Local Hardware Stores

- Mr. Leighton indicated that prior to 1981, Freeport was a modest coastal community not unlike many other communities in coastal Marine other than the fact that L.L. Bean was located there.

- Educational support from the State has diminished as the local economy has improved resulting in higher taxes. This is a major local issue.

- Land values have sky-rocketed since 1981.

- Effects on Mr. Leighton's businesses:
  - Hardware store - increased traffic due to outlets, particularly during summer, have harmed business.
  - 5¢ to 10¢ store - outlets have generated traffic which has increased sales of small goods.

- Mr. Leighton indicated that the Freeport Pharmacy was originally located on Main Street but moved one block back to cash in on the value of their property.

- The factory outlet phenomena started in 1975-76 when the Town and local merchants, faced with empty stores and a decaying business community, looked for development options.

- 10% of landowners pay 30% of taxes.

- There has been an in-migration of outsiders. Local residents cannot afford to stay. The out-migration of locals has not been lessened with the arrival of the outlets.

- Freeporters are slightly negative about the overall effects of the factory outlet industry.

- Parking is a major problem. In Freeport, the municipality controls all leased parking.

- Traffic management is critical to success. Freeport has been quite successful in dealing with this issue. Pedestrian movement causes serious problems.

E. Dale Olmstead, Town Manager, Freeport

- occupied position of Town Manager since 1982 when first impact of factory outlets was felt.

- local citizenry, i.e. older Freeporters born in area, received success of outlets with open arms. Answer to local unemployment and general prosperity since demise of mill operations in 1970's. Recent arrivals to Freeport since late 1970's who were trying to escape the urban sprawl of New England were collectively opposed to the changing lifestyle of Freeport.

- property assessments have probably tripled between 1984 and 1988. Older residents have sought less expensive properties beyond the Town (10-20 mile radius).

- traffic is considered a paramount problem. Until 1986 few ordnances governed parking requirements for the establishment of new businesses. Since then the business community and Town officials reached agreements on cost-sharing off-street parking to relieve congested Main Street area.

- police force has doubled since 1984 to meet needs for traffic control. While car thefts are evident they do not apparently constitute a major problem. Authorities feel traffic flow has peaked and parking is adequate to meet needs.

- to retain original character of town, a Design Review Board was formed in 1984 to receive applications principally from new and existing businesses. Exterior facades and architectural appropriateness are of particular concern.

- current land zoning has stressed regulation of remaining land use located to the south of Freeport which is not commercialized. Zoned only for future low profile accommodations and restaurant services. Town manager cites these as important factors to ease the burden of traffic and improve image.

- Town Manager felt that while outlet system expansion has taken a deep breath in last year, building permits for 1990 would be up over 1989, particularly with addition of a major food chain mall to service area.

- in terms of socio-economic profile of visitors, Mr. Olmstead identified "the best and the brightest" as the dominant shopper in Freeport - upper income, sophisticated buyer.

A copy of the 1988 Annual Report for the Town of Freeport is appended.

F. Grace Russell, Vice President of Operations, Ram Management (Outlet Mall Developer)

- Major developer in downtown Portland. The firm has restored several buildings and converted then to office and retail use.

- Outlet malls are located on the basis of demographics plus the "gut feelings" of the firms partners. Consideration is given to provision of ample parking, access and egress, aesthetics and fit into the neighborhood.

- The concept of each individual mall must be customized to suit area in which it is located. There are no standard designs or concepts.

- Kittery is a destination of choice for northeast Massachussetts. Twenty percent of clientele from Maine, 80 percent from outside Maine.

- Kittery is not sophisticated in the provision of support services.

- Outlets/off price centres have not peaked. Regular retail operations have peaked.

- Consumers at factory outlets are in the $50,000 + salary bracket. This has evolved over the past five years.

- Although service is important, expectations of service at outlets are less than at regular retail outlets.

- Freeport suffered a slump several years ago; consumers were annoyed at high prices.

- The market place is growing increasingly sophisticated. Merchants will have to meet the challenge to succeed.

- Tenant mix in malls is critical to success.

G. David Moulton, President of the Kittery Chamber of Commerce and Owner/Operator of D and S Mobil (gas station);

Bruce Clark, Kittery Chamber of Commerce and Owner of Kittery Rent - All

- Development of outlet/off price malls was essentially unplanned by the Town. Land was already commercially zoned and outside the main business area. Planning is just now catching up with development.

- Traffic and pedestrian management have been major concerns.

- There has been no impact on local taxes because no assistance was given to developers. In fact the developers themselves financed $750,000 worth of sewer work pursuant to development. All users are assessed a user fee by the Town and the developers are reimbursed.

- Parking requirements are set in town ordinances. There has been no deviation from these standards.

- Kittery has the physical potential for further expansion. There is land available.

- A large outlet mall in Portsmouth, N.H. failed in the past 5 years. It could not draw stores as it was located between two other traditional malls. The failed mall is now an industrial mall.

- Labour shortages are chronic in the area.

- Growth has been concentrated on U.S. 1 with little impact on the community itself.

- More Kittery residents work outside the community than in.

- Business/community cooperation is just beginning in Kittery as opposed to Freeport where there is an excellent working relationship.

- Common forms of crime in area are car break-ins and shoplifting.

- Outlet developments have not had a great effect on community demographics.

- Accelerating land values (app. $25,000 per acre) are driving people away. The acceleration is not entirely due to factory outlets but reflects current trends in seaside real estate.

- Kittery is a community with a diverse economic base. Were the malls to fail, the results for Kittery would not be as catastrophic as for, say, Freeport.

- The emergence of factory outlets resulted in Kittery hiring a full time planner.

- Formerly the season in Kittery was from 4th of July until Labour Day. Now the tourist season is approximately 10 months per year.

H. Philip McCarthy, Town Manager, Kittery

- Local residents in Kittery do not shop at local outlets. They shop in neighboring New Hampshire where sales tax is 0%.

- There is some local resentment of the outlet/off price developments.

- Mr. McCarthy indicated that without the outlet malls, taxes would actually be higher. The tax base in the community was recently re-assessed. When the assessment was $217 million the malls constituted 22% of the tax base. Subsequent to re-evaluation to $612 million, the malls still constitute 22% of the tax base.

- Assessed value of waterfront properties has increased six-fold. Malls are not a major factor in this rise.

- There have been law enforcement problems related to mall development i.e., thefts, vehicle crimes, shoplifting. Some of this has been the work of organized groups from Boston and New York.

- There is presently a six month moratorium on development in Kittery to allow planning activities to catch up.

- The market place will dictate expansion of Kittery outlet shopping. There is currently 600,000 sq.ft. of development in the planning stage.

- Traffic safety is a major concern.

- The Town is proposing a zoning charge from commercial to mixed use on U.S. 1.

- There is mixed opinion in the community on the need for new services (accommodation, food) on U.S. 1.

- Building permits in Kittery have averaged less than $10 million each of the past two years which is quite modest in face of a tax base in excess of $600 million.

- Kittery has lowest unemployment rate in Maine.

- Population of Kittery has remained stable.

A copy of the 1988 Annual Report for the Town of Kittery is appended.

I. Maureen Cason, Director of Chamber Services, Mount Washington Valley, Chamber of Commerce and Visitors Bureau

- Traffic circulation in North Conway presents a major problem due to narrow roads and high volumes. The community is boxed in with the White Mountains National Forest on one side and the community and the mountains on the other.

- The Outlet Association includes 46 of approximately 100 outlets in Mount Washington Valley.

- There are also approximately 200 regular retailers in the Valley.

- Labour shortages are chronic in the outlets.

- Settlers Green started out as specialty shops rather than outlets but has quickly been taken over by outlets.

- Available land for development in the community is in short supply.

An information package provided by Ms. Cason is appended.

J. Kurt Lunt, Town Manager, Conway N.H.

- Mr. Lunt has been Town Manager of Conway (includes North Conway and East Conway) for seven years.
- No planning has been done in relation to factory outlets and there has been no change in regulations due to the emergence of outlets.
- Tourism is the anchor in North Conway; the volume of tourist traffic has attracted merchants.
- No studies are available on impacts.
- 1989 represented a slow year for outlet activities in North Conway.
- Major growth in outlets in North Conway has occurred in the past 3 years with almost all growth occurring in the last five. Building permits, annually, have doubled during that period.
- Average Annual Daily Traffic (AADT) in North Conway in 1988 was 20,000 vehicles. Traffic congestion has, at times, been severe.
- The Planning Board has a Site Plan Review Process which deals with signing, parking and layout.
- Local opinion on the evolution of the outlets is mixed. There is considerable frustration with traffic congestion. Outsiders involved in the industry have not participated in local community life.
- Zoning in North Conway was only adopted in 1980.

- Property values in the area have doubled in the past 5 years.
- There have been major problems in traffic enforcement and car break-ins.
- North Conway is a four season resort. This is important to long-term prosperity.

A copy of the 1988 Annual Report for the Town of Conway is appended.

APPENDIX "E"

APPLICATION OF LOCATIONAL CRITERIA - SPECIFIC LOCATIONS

BACKGROUND

In Appendix "E", each of the eleven potential locations in New Brunswick for value retailing outlets are analyzed in relation to the locational criteria described in Section 4.1. The scores assessed to each criteria for each location are subjective, but also based on data for each location. Although in some cases (i.e., tourism data, census data) the material is dated, it is equally applied to all locations and thus, the relative ranking of locations is valid.

For several of the criteria, accurate scoring is impossible unless a specific location for the potential value retailing facility is known. To this end, the scores for visibility and access are very subjective given the dependence of these criteria on location. For visibility, all potential locations are assessed 10 points out of a possible 15 on the presumption that entrepreneurs will attempt to locate value retailing facilities with maximum visibility and that at the locations assessed, there is the potential for maximum visibility. The exceptions are St. Stephen (9/15) and Moncton (12/15), two locations where potential sites have been chosen. In St. Stephen, the old Ganong Factory is being considered as a potential value retailing location. If the downtown is bypassed by a proposed bypass and third border crossing point, visibility would be affected. In addition, the Ganong Factory has a very limited amount of frontage on the street; thus, outlets would be located within this structure such that visibility would be minimal. For the Moncton location, the City of Moncton is already investigating a site at Magnetic Hill. This site would have relatively high visibility adjacent to the TCH and in conjunction with existing attractions in the area.

The point ratings for access are quite subjective, relating primarily to the potential for locations adjacent to highways with limited access, such as the Trans-Canada Highway. Access from limited access highways would only be via intersections, thus limiting options for locating value retail facilities.

The "gut feeling" point ratings are very subjective and are applied much in the same manner as they would be by a developer. They are based on the results of the other nine criteria and intangibles that are not included in those criteria.

BENCHMARK LOCATIONS

Freeport, Me.

As indicated in Table 4, 15,000 vehicles per day (ADT) is the minimum acceptable **traffic volume** when considering establishment of an outlet, with a stronger preference for 20,000 vehicles per day or more. In Freeport, the ADT is 13,700 vehicles per day with total annual traffic in excess of five million vehicles. Score: 17/20.

The undisputed **"anchor"** in Freeport is the L.L. Bean store. This is acknowledged by informed industry participants and widely accepted by the travelling public. Score: 20/20.

Freeport is approximately 30 kilometres from Portland, the nearest concentration of regular retail shopping facilities, thus the outlet developments in Freeport were at the minimum distance from regular wholesale accounts as determined by Value Retail News for 1988. Freeport thus meets the free trade zone requirements although it did not in 1981 when development of outlets commenced. At that time, the recognized free trade zone was in excess of 46 kilometres. **Free trade zone** is scored at 13 for Freeport on the basis that it is at the edge of the accepted zone and was within the zone when outlet development commenced in the community. Score: 13/15.

Excellent signage on I-95 and the existence of U.S. Route 1 directly through Freeport (Main Street) give excellent **visibility** of the overall development. The fact that the outlets are situated in a "town" environment with outlets distributed on side streets as well as Main Street lessens their individual visibility. Score: 13/15.

In Freeport, there are in excess of one hundred value merchandising outlets. This constitutes a **critical mass** comparable with any of the top locations for outlets in North America. Score: 15/15.

Tourist Traffic in Freeport is in excess of 5,000,000 vehicles annually. Freeport is widely recognized by the travelling public as a tourist destination primarily due to the existence of outlet shopping opportunities but also due to the existence of local tourist

attractions and services. In Table 4: Specific Outlet - Locational Considerations, tourist traffic is prominently indicated as an important consideration. In Table 3: Off Price/Outlet Malls - Market Area Characteristics, volumes of 3-5 million tourists annually are specified. Score: 15/15.

For Freeport, **demographics** include a population within a thirty mile radius of approximately 500,000 and average household income within that radius being $29,000 per annum (in U.S. $; $34,500 in Canadian $). These will be used as benchmark figures. Score: 10/10.

Interviews with industry participants, operators of L.L. Bean, the Town Manager and non-outlet merchants in Freeport confirm that **development costs**, particularly in relation to land prices, have accelerated in the past five years in Freeport. As actual development and land costs are difficult to acquire, points assessed to this category will be subjective and relate largely to perceived land costs. Score: 5/10.

Freeport is served by convenient, well-signed exits on the interstate (I-95). In addition, U.S. 1 constitutes a major artery which passes through the centre of Freeport. Vehicular movement within Freeport, however, is constrained by the existing town street networks, and parking is scarce in face of the large volumes of traffic. Once vehicles are parked, **access** to most of Freeports' outlets is convenient and easy by foot. Score: 7/10.

Assessment of "**gut feeling**" in relation to the establishment of outlets in Freeport is academic in face of its proven success. Score: 10/10.

Ellsworth, Me.

Ellsworth is located at the intersection of Highways 1 and 1A and Routes 172, 180, 179, 230, 3, and 184. It is located approximately midway between Bangor and Bar Harbour. **Traffic volume** data is less definitive than that for most New Brunswick locations due to the number of highways in the area and less accessible statistics. Traffic is highly seasonal in the area due to the seasonal nature of the tourism industry. For example, the average daily vehicle count for March of 1988 was 6,153

vehicles and for August 17,363 vehicles. The annual traffic volume in the Ellsworth area is estimated at 3.7 million vehicles. Score: 12/20.

Although there are few existing value retail outlets in Ellesworth, these existing as free standing independent outlets (i.e., Dexter Shoes), there are no outlet malls or accumulations of outlets as found in Freeport. L.L. Bean has made the decision to locate an outlet on the southern boundary of the community as part of an overall outlet development (mall). In addition, Ellsworth already has significant shopping/accommodation/food services resources. The community is located approximately 30 kilometres north of Bar Harbour, a major tourist destination and Acadia National Park, a national park with the second highest annual visitation in the United States (4,000,000 + visitors annually). Bangor, a major shopping destination, is located forty kilometres to the north. All of these factors constitute a formidable **anchor** to draw visitors to the area. Score: 20/20.

The major area shopping facilities in Northeast Maine are located in Bangor, forty kilometres distant, outside the **free trade zone**. Ellsworth, itself, however, has a significant number of retail outlets in three shopping centres which will be well within the industry established free trade zone. The developers (and associated manufacturers) appear willing to proceed. Score 3/15.

Visibility will ultimately depend on the specific site chosen and the orientation of the mall developed. The site tentatively proposed on the south side of Ellsworth towards Bar Harbour at the intersection of Routes 1 and 3 and should offer excellent visibility. Score 12/15.

The proposed outlet mall development in which the L.L. Bean outlet would be located would contribute towards **critical mass** depending on the number and type of stores ultimately locating there. In addition the other shopping and service facilities in the area would contribute to that critical mass further increasing the area's attraction as a shopping destination. Score: 11/15.

Acadia National Park, 30 kilometres distant, experiences the second highest visitation in the United States national parks system with more than 4,000,000 visitors annually.

Bar Harbour, located on the eastern edge of the national park has been a popular tourist destination for more than a century. Bar Harbour is also the U.S. terminus for the Bar Harbour to Yarmouth, N.S. ferry. Although there have been no studies in the area specifically focusing on **tourist traffic**, much of the traffic volume already addressed can be considered tourist traffic. Score: 14/15.

The population of Ellsworth in 1987 was 5,800. The population of the surrounding county, Hancock County was 44,850 which easily doubles during the summer months when seasonal residents return for the summer. Within the 100 mile radius used as an industry standard there are in excess of 250,000 people. The average annual household income in Hancock county varies from $10,500 ($12,500 Canadian) for those in retail trade to $23,500 ($28,000 Canadian) for those engaged in manufacturing. **Demographics**. Score: 6/10.

Development costs in the Ellsworth area would be relatively high. Established as a regular retail shopping area and long popular as a tourist destination, land and development costs would be higher than in most New Brunswick locations and approaching costs for Freeport. Score: 4/10.

Access will ultimately depend on the specific site chosen, traffic and service roads adjacent to that site and the style and orientation of the value retailing structure involved. A location adjacent to Highways 1 and 1A (neither is controlled access) would offer good access possibilities. Score: 7/10.

Obviously, the "**gut feelings**" of developers are that the site will succeed as a factory outlet location in that they have already announced an outlet project. Score: 10/10.

NEW BRUNSWICK LOCATIONS

St. Stephen, N.B.

For the purposes of this analysis, the St. Stephen location is presumed to be the old Ganong Factory on the St. Stephen waterfront. Traffic entering Canada at the border points must, presently, pass directly in front of this site.

Major traffic volumes in the St. Stephen area are found on Routes 1 and 3. Annual average daily traffic (AADT) counts for 1988 indicate that the volume of traffic on these two routes was 8,260 vehicles per day, or 3.0 million vehicles annually. This figure may be understated, as there are other minor access routes leading to and from St. Stephen. According to Economic Consulting Services, co-authors of the Chocolate Theme Park Economic Feasibility and Concept Development Study, the AADT for the St. Stephen area has been increasing since 1983.

St. Stephen is the location of two border entry points with the United States. The St. Stephen entry point is one of the busiest in Canada accounting for approximately 1.4 million vehicles annually entering Canada. The other crossing, at Milltown, also part of St. Stephen, accounts for approximately 400,000 annual entries into Canada. The two entry points total 1.8 million entries into Canada annually. Although not all vehicles which enter at St. Stephen exit at St. Stephen, the two way traffic at these border entry points, for analysis purposes, can be estimated at 3.6 million vehicles annually. Score: 10/20.

St. Stephen, itself, possesses no reral **anchor** as defined in Section 4.1. The St. Andrews area, however, is a major traditional toruist destination in the province and would constitute a form of anchor for St. Stephen given its proximity (approximately 20 km). Furthermore, should the proposed Chocolate Theme Park be constructed at the location between St. Stephen and St. Andrews, it would constitute an anchor.

St. Stephen is a minor regional shopping destination with a small shopping centre located on the northern outskirts near the intersection of Routes 1 and 3, and stores on Milltown Boulevard upon which the Ganong Factory is located. **Free trade zone** implications for St. Stephen are relatively minor as very few chain stores carrying major brand names are located in the community. There are also shopping facilities in Calais, Maine immediately adjacent to St. Stephen but they have no free trade zone implications because the nature of the shopping facilities is similar to those in St. Stephen and the international border separating the two communities dictates entirely different sources of supply for retailers. Score: 13/15.

Visibility of the Ganong factory location in St. Stephen is excellent. The old factory structure has limited frontage on Milltown Boulevard but its imposing size gives it high visibility. Presently, the primary access and egress (other than minor side streets) for the border entry points passes directly in front of the factory. Should outlets be developed in the facility, they would not be individually visible from the road due to the building layout. Future plans for the area include the construction of a by-pass which would allow vehicles to cross the border and reach Routes 1 and 3 without going through the downtown. This is primarily aimed at reducing commercial traffic in the downtown but would doubtlessly result in the diversion of large numbers of private vehicles as well. This would drastically effect the visibility of the proposed Ganong factory location. Score: 8/15 (without the bypass).

Critical Mass is not a factor in St. Stephen. The community has a minimum number of regular retail outlets, one factory outlet (Ganong's) and no other value retailing outlets. Score: 0/15.

Tourist Traffic constitutes a significant presence in St. Stephen during the period from May to October. According to the last completed Auto-Exit Survey (1983), 241,102 non-resident parties passed through the town. This constituted 613,053 persons, 62 percent of which were Americans and 37 percent Canadians, primarily from Nova Scotia (14 percent) and Ontario (13 percent). The month of July was the busiest month with 34 percent of the non-resident traffic. Sixty percent of visitors identified sightseeing as the primary purpose of visit whereas approximately 3 percent identified shopping as their purpose. This may be reflective of the general lack of shopping facilities in the area. This data is clearly dated and will be updated with the release of the 1989 Auto-Exit survey early in 1990. From the 1986 Canadian Travel Survey, it is estimated that tourist visitation to the Charlotte/Kings/St. John region was 800,000 person trips. It should be noted that this region includes Saint John and Sussex. Score: 7/15.

In 1986, the Town of St. Stephen had a population of 5,035 and a population within a 100 km radius of 235,000. Average household income (1986) is $25,026 which is 13 percent less than the Provincial average. Only 15 percent of the population over age

15 had some university education and approximately 50 percent had not completed high school. Score: 4/10 for **demographics**.

In relation to **development costs**, land costs in St. Stephen would be significantly less than in Freeport but more than in an unincorporated rural area of the province. Score: 6/10.

Access to outlets located in the old Ganong Factory would be hindered by a general lack of parking facilities to handle high volumes of traffic and a lack of convenient space to expand parking. Access to the site from the traffic flow is excellent in that the road passes directly in front of the factory. Score: 5/10.

In assessing **gut feeling**, the preceding nine locational criteria are considered in addition to the accumulated expertise of the consultant team, much in the same manner a developer would consider the factors. Score: 7/10.

Woodstock, N.B.

The major traffic volume in the Woodstock area is located on the TCH, Route 2, as recorded north of the intersection of Route 95 and Route 2. In 1988, AADT at this point was 7,100 vehicles; annual traffic, based on this, is estimated at 2.6 million vehicles. There are other access roads to the Woodstock area which would increase this figure.

Approximately 500,000 vehicles entered Canada in 1988 from the United States at Woodstock. This would give a two way traffic flow at the border of approximately one million vehicles annually. A border crossing in nearby Centreville had two way traffic of approximately 240,000 vehicles annually. Score: 8/20.

Woodstock does not have a major facility, attraction or service that could be considered an **anchor**. The community has an annual festival, Old Home Week, and is situated in the scenic St. John River valley, but is not a tourism or shopping destination. Score: 7/20.

There are few **free trade zone** implications for Woodstock. The community has regular retail facilities (small shopping centre, free standing stores) and more extensive shopping facilities are located in nearby Houlton, Me. (approximately 12 km). As the facilities in Houlton are in the United States, they do not influence the free trade zone considerations in Canada; sources of supply (wholesalers and manufacturers) are different. Score: 13/20.

Visibility of outlet locations in the Woodstock area would depend on their location in relation to the proposed, limited access, four lane Trans-Canada Highway. Woodstock will be the location of a major interchange and any proposed outlets would have to be accessed via this interchange. Adequate signage and, possibly, visibility from the TCH, would be important. Score: 10/20.

Critical Mass is not a factor in the Woodstock area. Score: 0/15.

In 1983, non-resident **tourist traffic** consisted of 254,240 parties or 655,372 persons. Of this total, 71 percent were of Canadian origin, primarily from Ontario (35 percent), Quebec (16 percent) and Nova Scotia (10 percent). American tourists constituted 26 percent of the traffic. Passing through was the primary purpose of visit (41 percent), reflecting Woodstock's location relative to the United States border. Thirty-eight percent of respondents were interested in sightseeing; a further 13 percent were visiting friends and relatives. From the 1986 Canadian Travel Survey, tourist visitation to the Madawaska/Victoria/Carleton region was estimated at 300,000 person trips. This region includes the Edmundston/Grand Falls area. Score: 7/15. This reflects the pass through nature of visitation to the area.

The 1986 population of Woodstock was 4,550. Within a 100 kilometre radius, the 1986 population base was 205,000. Average household income was $27,018, 6 percent below the Provincial average. Unemployment was relatively low, at 12.4 percent, compared to the Provincial average of 16.9 percent. Approximately 18 percent of the population over the age of 15 had some university background, while 43 percent did not complete high school. Score: 5/10.

As Woodstock is a major entry point to the United States for commercial truck traffic, connecting Highway 95 with the TCH, the area has experienced growth in small processing facilities and trans-shipment facilities. This is also due to the Canada/U.S. Free Trade Agreement and its implication for future commerce between the two countries. As a result, the **costs of development** in the Woodstock area have risen due to increasing land values. Score: 6/10.

Route 95 intersects the TCH at Woodstock, and leads to the United States border at Houlton, Maine. Although there are no definite plans concerning the highway as of yet, the highway will be twinned (two lanes added) in the near future, and the possibility of future realignment, including Route 95, exists (B. McEwing, Transportation pers. comm.). How this is accomplished will directly affect **access** to any outlets developed in the area. Adequate signage will be critical. Score: 5/10.

Although Woodstock is a major entry point to the province and figures prominently in the trans-shipment of goods to and from the United States, it has little to attract and retain visitors. **Gut feeling** score: 4/10.

Grand Falls/Edmundston, N.B.

The Grand Falls/Edmundston area, rather than the communities individually, was selected for review as this area bordering the TCH represents a relatively continuous strip of development.

Traffic volume on Route 2 between Edmundston and Grand Falls was 9,050 vehicles daily in 1988 or 3.3 million vehicles annually. This figure is understated, while there are many other secondary access roads in the area (as it reflects one area between the two centres (the point with the highest traffic volume). The AADT at St. Jacques, near the Quebec border, was 3,820 vehicles, or 1.4 million vehicles annually.

The Canada/U.S. border is accessed at several points in this area resulting in cross border two-way traffic flows as follows:

Andover	575,000	persons
Clair	1,010,000	persons
Edmundston	2,550,000	persons
Grand Falls	780,000	persons
St. Leonard	1,030,000	persons

Much of this traffic is local resident traffic. Score: 12/20.

The Grand Falls/Edmundston area does not have a major **anchor** similar to Freeport, Kittery and North Conway. It does, however, have natural attractions such as the Grand Falls Gorge, Lac Baker and Les Jardins de la Republique Provincial Parks and Mont Farlagne, the most popular ski hill in the Province. In addition, the Madawaska Weavers operate a provincially unique craft production facility in St. Leonard. Score: 14/20.

There are **free trade zone** implications for the Edmundston/Grand Falls area. Both Edmundston and Grand Falls contain major shopping facilities which involve brand name stores. Outlets located in this area would be competing directly with existing local retailers. Grand Falls and Edmundston are 39 kilometres apart. Score: 8/15.

Visibility of any proposed location in the Edmundston/Grand Falls area will depend on the location in relation to the TCH. The proposed realignment of the TCH may affect visibility. Score: 10/15.

Several factory outlets are found in the region including the Madawaska Weavers and J.M.L. shirts. In combination with these outlets, the presence of regular retail outlets constitutes a form of **critical mass** of shopping opportunities. It is not the preferred critical mass for value merchandisers who prefer a critical mass of similar outlets but it is, nonetheless, a critical mass. Score: 7/15.

Tourist traffic in the Edmundston/Grand Falls area occurs on a year-round basis due largely to the existence of the ski hill at Mont Farlagne. The Madawaska/Victoria/ Carleton County area is, however, accordingly to the 1986 Canadian Travel Survey, the destination of choice of only 9 percent of New Brunswickers travelling in the province

resulting in approximately 300,000 person-trips in 1986. From the 1983 Auto-Exit Survey, 363,751 non-resident parties or 878,311 persons passed through Edmundston from May to October. Seventy-three percent of this volume was of Canadian origin and 24 percent of U.S. origin.

There were 253,836 non-resident parties or 649,282 persons passing through Grand Falls according to the same 1983 survey. Approximately 81 percent were Canadians and 16 percent were U.S. residents. The differences in volumes can be attributed to these parties taking Route 17 at St. Leonard towards Campbellton.

Only 57 percent of visitors to Edmundston were tourists compared to 71 percent for Grand Falls. The primary purposes of visit for both areas were passing through and sightseeing. Shopping was the primary purpose of visit for 10 percent of the traffic in the Edmundston area, while less than one percent of the traffic in the Grand Falls area cited this is the primary purpose. Score: 10/15.

In terms of demographics, Grand Falls and Edmundston will be discussed separately as they constitute two separate and distinct points. In 1986, Grand Falls had a population of 6,210 and a population within a 100 kilometre radius of 145,000. Average household income was $24,606, 14 percent less than the Provincial average. Fifteen percent of residents over age fifteen had some university education; 54 percent had not completed high school. In 1986, Edmundston had a population of 11,495 with a population within a 100 kilometre radius of 145,000. Average household income was $29,905, slightly higher than the provincial average. Twenty-two percent of residents over age 18 had some university education; 43 percent had not finished high school. Score: 4/10.

Development costs in the area would be relatively modest due to the availability of land in the area. Score: 6/10.

Access to an outlet site in the Edmundston/Grand Falls area would depend on location relative to the TCH. There are no definite plans to re-align the highway in the area. Score: 5/10.

The Edmundston/Grand Falls area has high traffic volumes and year-round visitation. **Gut feeling** score: 5/10.

Sackville, N.B.

Annual average daily **traffic volume** on the TCH (Route 2) immediately north of Sackville, in 1988, was 10,650 vehicles, or 3.9 million vehicles annually. Score: 11/20.

Sackville does not have an **anchor** as defined in Section 4.1. Mount Allison University is a major employer in the community which contains only modest shopping facilities. Score: 7/20.

Free trade zone implications for potential Sackville outlet locations include major shopping facilities in Moncton (53 kilometres) and Amherst, N.S. (20 kilometres). Although Moncton is outside the presently accepted free trade zone range (30 kilometres), it is a regional shopping destination of such magnitude that there will be free trade zone implications. Score: 9/15.

Visibility will depend on location in the Sackville or Sackville to Aulac area. The proposed re-alignment of the TCH in the area will also affect visibility. Score: 10/15.

There is no **critical mass** of shopping related facilities in the Sackville area although they are present in nearby Amherst. Score: 0/15.

Although Sackville itself receives very little **tourist traffic** (estimated at approximately 15,000 persons annually), the TCH past Sackville, to the New Brunswick border, is a major artery for tourist traffic. According to the 1983 Auto Exit Survey, 432,386 non-resident tourist parties or 1,078,475 non-resident tourists traversed that section of highway. In addition, there was also resident tourist traffic in the area. From the 1986 Canadian Travel Survey it was estimated that tourist visitation to the Kent/Westmorland/Albert region was 950,000 person trips. This region includes the Moncton area. Score: 12/15.

In 1986, Sackville had a population of 5,470 residents and a population within a 100 kilometre radius of 240,000. Average household income was $29,576 annually. Education levels in Sackville are higher than the provincial average with 28 percent of the population over age 15 having university education while 44 percent did not complete high school. **Demographics** score: 5/10.

Development costs in Sackville would be moderately high as could be expected in a university community with limited available land. Costs would be lower outside the urban area adjacent to the TCH (near an exit) Score: 7/10.

Access will depend on the location of any outlet developments in relation to the re-aligned and twinned highway from Moncton to the Nova Scotia border. Score 4/10.

Although the Sackville area has large traffic volumes nearby, the lack of any attractions in the community and the free trade zone implications mitigate against outlet development. Gut feeling score: 4/10.

St. Andrews, N.B.

Traffic volume in St. Andrews is best measured at the intersection of Highway 1 and Route 127 in Waweig where average annual daily traffic in 1988 was 4,150 vehicles giving annual traffic of 1.5 million vehicles. Score: 6/20.

As one of the primary tourist destination areas in New Brunswick, St. Andrews possesses unique historic accommodation (The Algonquin), an aquarium, cultural and craft facilities and rugged attractive seashore. Potential developments include the development of Minister's Island and expansion of the Huntsman Marine Science Centre (aquarium). The international reputation of St. Andrews as a resort area which dates into the past century constitutes a form of **anchor**. The limiting factor is that St. Andrews is a summer destination with some shoulder season visitation. Were the Chocolate Theme Park to be constructed in nearby Oak Bay, this would also constitute a form of anchor. Score: 13/20.

There are no **free trade zone** limitations attached to potential development in or adjacent to St. Andrews. Score: 14/15.

Visibility will depend on the location chosen for development. Locations adjacent to Highway 1 would have high visibility and, if constructed as open malls facing the highway, would offer high visibility to individual stores. Score: 10/15.

Critical mass is not a factor in the St. Andrews area where there presently exist limited shopping opportunities and no outlets. Score: 0/15.

Tourist traffic in the St. Andrews area should be considered both in the context of actual visitation to St. Andrews and of tourist traffic passing by on Highway 1. From the 1983 Auto Exit Survey, 36,665 non-resident tourist parties or 98,218 persons passed through St. Andrews. The same survey confirmed that 613,053 non-resident tourists passed through St. Stephen most of whom would also have passed by St. Andrews on Highway 1. From the 1986 Canadian Travel Survey tourist visitation to the Charlotte/Kings/St. John region was estimated at 800,000 person trips. This includes St. Stephen, Saint John and Sussex. Score: 8/15.

In 1986, the population of St. Andrews was 1,615 persons and population within a 100 kilometre radius was approximately 210,000. Average household income was $31,295, nine percent above the provincial average. **Demographics** score: 4/10.

Development costs on the St. Andrews peninsula would be relatively high as the area has long been a summer resort area. It is anticipated that land costs on Highway 1 would be less. Score: 7/10.

Access would be dependant on the location chosen. Were the outlet development to be located in St. Andrews, itself, access would be constrained by the limited capacity of the road system which is already strained by summer traffic. If the outlet development were located adjacent to Highway 1 access would be easier. Score: 5/10.

St. Andrews has an internationally recognized reputation as a summer resort which has endured for more than a century. It has food and accommodation services and

existing retail industry which, for the most part, would not conflict with outlet operations in that most of St. Andrew's retail outlets are small craft and souvenir shops and tourist oriented businesses. **Gut feeling** score: 7/10.

Sussex, N.B.

Traffic volume in the Sussex area is measured at the intersection of Routes 1 and 2. In 1988, average annual daily traffic at this location was 9,750 giving an annual total of 3.6 million vehicles. Sussex is a major juncture for vehicles travelling through New Brunswick from the United States and from Quebec to Nova Scotia, Prince Edward Island and Newfoundland (and in the reverse direction). Score: 13/20.

Sussex does not have an attraction or service that could be considered an **anchor**. The Sussex area does, however, offer year-round attractions and services including Poly Mountain Ski Hill, Animaland, the Hot Air Balloon Festival, a golf course, restaurants, accommodations and campgrounds. The community has modest shopping facilities. Score: 12/20.

The critical distance for **free trade zone** considerations as described in Section 4.1 is approximately 30 kilometres. From Sussex, the distance to Saint John is 45 kilometres, to Moncton, 47 kilometres and Fredericton, 75 kilometres. Sussex, itself, has modest shopping facilities with a limited number of brand name stores. Score: 14/15.

Visibility would be dependant upon location of the potential facility in relation to the bulk of the traffic. A location adjacent to the Sussex area exits from the TCH would offer high visibility. Consideration would have to be given to the implications of the proposed realignment and twinning of the highway and how it would connect with Highway 1. Score: 10/15.

Critical mass is not a factor in the Sussex location. The area presently has no outlets and only modest shopping facilities. Score: 0/15.

The Sussex area has one of the highest volumes of **tourist traffic** in the Province due primarily to its location at the juncture of two major highways. From the 1983 Auto Exit Survey, 370,651 non-resident tourist parties or 958,533 persons passed through the area from May to October. Forty-seven percent of this sample identified sightseeing as their primary purpose of visit while 36 percent indicated that they were passing through the area. This high level of pass-through traffic is reflective of the strategic location of Sussex and the modest nature of the area tourism industry. The existence of Poley Mountain Ski Hill allows for winter tourism. In 1983, less than one percent of non-resident travellers identified shopping as their primary purpose of visit. From the 1986 Canadian Travel Survey to the Charlotte/Kings/St. John region was estimated at 800,000 person trips. This region includes St. Stephen, St. Andrews and Saint John. Score: 12/15.

In 1986, Sussex had a population of 4,115 and the population within a 100 kilometre radius was 340,000 reflecting the strategic location of Sussex in relation to Fredericton, Saint John and Moncton. Average household income in Fredericton, Saint John and Moncton were $34,215, $28,089 and $31,310 respectively. **Demographics**. Score: 7/10.

Development costs will depend on the location of the potential facility. A location within the municipal boundaries of Sussex would reflect costs of land in incorporated areas. Development adjacent to the TCH but outside the municipal area would involve potentially smaller land costs but increased costs of services. Score: 7/10.

Access will be dependant upon location. At Sussex, a major interchange distributes traffic to New Brunswick's three major cities; the intersection of Route 1 and the Trans-Canada Highway results in traffic from Fredericton, Saint John, and Moncton passing through the Sussex area. Off of the TCH, there are multiple exits leading into Sussex. There are no definite plans in place to further develop the highway at this location, but there will likely be future plans; although the traffic circle will stay, the highways leading into it may experience some change (B. McEwing, pers. comm.). Access within the Town of Sussex would be constrained by the limited capacity of the municipality road network. Access would be better adjacent to the major interchange on the TCH. Score: 5/10.

The strategic location of Sussex in south central New Brunswick at the juncture of Highway 1 and 2 in addition to its location in relation to Fredericton, Saint John and Moncton make it a strong candidate for consideration as a value merchandising location. In addition the area has a modest year-round tourism industry. Gut feeling score: 9/10.

Bathurst, N.B.

The average annual daily traffic in 1988 measured near the intersection of Routes 8 and 11 south of Bathurst, was 11,590 vehicles which translates into 4.2 million vehicles annually. This **traffic volume** represents a count at a single point only but it is at the major intersection in the area. Score: 14/20.

There is no **anchor** in the Bathurst area as described in Section 4.1. Bathurst, however, is a regional service centre and shopping destination in the northeast. The area offers access to the ocean, accommodations, food services and a broad range of regular retail shopping facilities in addition to being located adjacent to the Acadian Peninsula, one of the premier tourist destinations in the province. Score: 13/20.

There are significant **free trade zone** implications when considering location of value retailing outlets in the Bathurst area. Bathurst is a major shopping destination in the Province's northeast. The selection of retail outlets includes many brand name stores which would be affected by the location of a value retailing mall in the immediate area. Score: 3/15.

Visibility would depend on the location of the potential outlet facility. Score: 10/15.

Although Bathurst does not currently have any value retailing outlets in the immediate area, the broad range of shopping facilities constitutes a form of **critical mass**. Score: 5/15.

From the 1983 Auto-Exit Survey, 145,000 non-resident tourist parties or 362,332 persons passed through Bathurst. **Tourist traffic** also includes resident traffic but this is not documented. Eighty-three percent of the non-resident traffic in 1983 was

Canadian in origin with 55 percent from Quebec and 17 percent from Ontario. Sightseeing was listed as the primary purpose of travel for 63 percent of these non-resident visitors while 23 percent were visiting friends and relatives. Shopping was the primary purpose of travel for one percent of those interviewed. It should be noted that Bathurst is located adjacent to the Acadian Peninsula tourism destination area. The Acadian Peninsula is a favourite destination of Quebec residents as evidenced by the 55 percent of non-resident traffic originating in Quebec. Many visitors to the Acadian Peninsula use accommodation facilities in Bathurst. From the 1986 Canadian Travel Survey, it was estimated that tourist visitation to the Restigouche/Gloucester/ Northumberland region in 1986 was 650,000 person-trips. Newcastle/Chatham is also in this region. Score: 7/15.

In 1986, the population of Bathurst was 14,680 with a population within a 100 kilometre radius of 175,000. Average household income in 1986 was $29,281 annually. Nineteen percent of Bathurst residents had some university education while 49 percent had not finished high school. **Demographics** score: 4/10.

Development costs, were potential value retailing outlets to be located outside city limits on Highways 8 or 11 near an interchange would be relatively high as much of the land on the city's outskirts is in demand for retail and industrial uses. Score: 6/10.

Access would depend on the location of the potential facilities in the area. Adjacent to an intersection on a main thorough fare, access would be good. Score: 6/10.

Although Bathurst is a major service area for the northeast and is located adjacent to the Acadian Peninsula tourism destination area, the free trade zone implications of locating value retailing outlets in the area would constrain development. **Gut feeling** score: 3/10.

Newcastle/Chatham, N.B.

Highest **traffic volume** in the Newcastle/Chatham area is on Route 8 north of Douglastown where the average annual daily traffic was 11,950 vehicles in 1988 or approximately 4.4 million vehicles annually. Score: 14/20.

The Newcastle/Chatham area does not have an **anchor** as defined in Section 4.1. The area has a very popular Irish Festival annually and is situated at the mouth of the world renowned Miramichi River.

A major Irish Cultural Heritage Facility is proposed for Chatham but there are no firm plans to proceed with this project. The Miramichi Shipbuilding Museum project is currently being implemented in Newcastle but would not constitute an anchor. Score: 7/20.

The Newcastle/Chatham area is a shopping destination for the Miramichi and the southern portion of the Acadian Peninsula. As a result there are several shopping centres in the area and free-standing retail outlets in both the downtowns. Brand name stores are found in both locations, although primarily in the Northumberland Mall located on Highway 8 at the intersection of Highways 8 and 11. Location of a value retailing facility in the area would contravene recognized **free trade zone** restrictions. Score: 3/15.

Were a value retailing development to be considered for the area, the most likely location would be on Highway 8 near the existing Northumberland Mall due to the large volumes of traffic which attracted the Mall originally. **Visibility** in this area would be excellent. Score: 10/15.

The existing shopping facilities in the Newcastle/Chatham area constitute a form of **critical mass** although there are no existing value retailing outlets in the area. The shopping facilities are more modest than those in Bathurst, immediately to the north. Score: 2/15.

From the 1983 Auto Exit Survey it is estimated that non-resident tourist visitation to the Newcastle/Chatham area was 102,803 parties or 251,971 persons. Eighty-three percent of this traffic was Canadian; Quebec (40 percent), Ontario (22 percent) and Nova Scotia (15 percent) were the main Provinces of origin. From the 1986 Canadian Travel Survey, tourist visitation to the Restigouche/Gloucester/Northumberland region was estimated at 650,000 person-trips. The Bathurst area is also found in this region.

In 1986, the towns of Chatham and Newcastle had a combined population of 12,025 with a population within a 100 kilometre radius of 165,000. Average household incomes in Chatham and Newcastle in 1986 were $27,175 and $27,464 respectively. Of area residents, 17-20 percent had some university education while 45-48 percent had not completed high school. **Demographics** score: 4/10.

Should the potential outlet development be located in the same general area as the Northumberland Mall (where the highest traffic count in the area is found) **development costs** would be relatively high as that particular stretch of property is regarded as prime commercial real estate. Score: 6/10.

Although the Newcastle/Chatham area has high traffic counts, the free trade zone implications and the lack of anchor in the area mitigate against development of value retailing in the area. **Gut feeling** score: 3/10.

Moncton, N.B.

The City of Moncton is currently considering the potential for establishment of a value retailing mall at Magnetic Hill as part of their ongoing development of the area. Current developments include Magic Mountain water theme park, the Magnetic Hill Game Farm and shops/boutiques catering to visitors to the attractions. For purposes of this analysis, the Magnetic Hill area will be used as the potential location to be evaluated.

Traffic volumes in Moncton in 1988, as measured in the urban area at a major intersection was 19,490 vehicles (average annual daily traffic) or 7.1 million annually. Average annual daily traffic on the TCH east of the Lower Mountain Road turnoff was 11,200 vehicles giving annual traffic of 4.1 million. The average annual daily traffic adjacent to the Magnetic Hill turnoff is 6,860 vehicles or 2.5 million annually. Score: 17/20.

The shopping opportunities already existing in the Moncton area, the area tourism attractions and the accommodations/restaurants available in the area constitute a

significant **anchor** which is further emphasized by the city's strategic location as the "hub" of the Maritimes. Moncton is strategically located to take advantage of visitors to Kouchibouguac and Fundy National Parks, Fort Beausejour National Historic Park, Bonar Law Farm (provincial historic park), Shediac area attractions, Magnetic Hill and the development at Magic Mountain. Score: 16/20.

There are significant **free trade zone** implications for the establishment of a value retailing facility in the Moncton area. Moncton is a regional shopping destination for southeast New Brunswick with a high concentration of retail outlets marketing brand name products. There is a "factory outlet" located in Champlain Mall (Benetton) but it represents only a small portion of the store primarily marketing first line goods. Outlets located at Magnetic Hill would be well within the currently accepted free trade zone. Score: 2/15.

Visibility of a value retailing mall located in the Magnetic Hill area would be high. It would potentially be visible from the TCH (as many of the other attractions are), could be well signed and would benefit from the flow of vehicles to other attractions. Score: 12/15.

Although there are no factory outlets in the area (other than Benettons) there is a **critical mass** of shopping opportunities which would contribute towards the potential success of value retailing facilities. Score: 7/15.

Tourist traffic in the Moncton area is the highest in the Province. From the 1983 Auto-Exit Survey, non-resident tourists passing through Moncton numbered 165,139 parties or 413,639 persons. From the same survey, 331,213 non-resident tourist parties or 852,627 persons were surveyed in Riverglade, immediately west of Moncton. According to the 1986 Canadian Travel Survey, the Kent/Westmorland/Albert region in the centre of which Moncton is located was the most visited region in the Province with approximately 950,000 person-trips annually. The area contains some of the most outstanding tourist attractions and services in the Province and is strategically located in relation to tourist traffic travelling in the Maritimes. The location being considered by the City of Moncton is part of the overall Magnetic Hill Development. Score: 13/15.

The second largest urban area in the Province, Moncton, in 1986, had a population of 55,465 with a population within a 100 kilometre radius of 230,000. The average annual household income in Moncton in 1986 was $31,310. Twenty-one percent of residents had some university education while 44 percent had not finished high school. **Demographic** score: 5/10.

Development costs in the Magnetic Hill area would be relatively high. The developments at Magnetic Hill (Magic Mountain, Game Farm, shops, accommodations, etc.) have raised the price of land in the area. Score: 5/10.

Access to the potential site at Magnetic Hill would be excellent. It is adjacent to the TCH and the largest tourist attraction in the area. The exit is well signed. Score: 6/10.

The Moncton area has many attributes which make it desirable as a potential value retailing location. The perceived free trade zone constraints may be lessened by the strength and size of the existing retail industry in the area and by sensitive choice of outlet to be located in the potential development. **Gut Feeling** score: 8/10.

Saint John, N.B.

Traffic volume in Saint John, as measured at the intersection of Routes 1 and 7 east of Saint John, was the highest of any points sampled in the Province. The average annual daily traffic, in 1988, was 25,430 giving an annual total of 9.3 million. Score: 18/20.

In addition to a wide variety of shopping opportunities, the City of Saint John contains natural and manmade attractions that have made it a shopping tourist destination for southern New Brunswick. Features include the Reversing Falls, Market Square, City Market, Aquatic Centre, Cherry Brook Zoo, Rockwood Park, Festival-by-the-Sea, Loyalist Days and the New Brunswick Museum. In conjunction with extensive shopping facilities, accommodations and restaurants, the city itself becomes a form of **anchor** for development. Score: 16/20.

Similar to other urban areas, the potential location of value retailing outlets in the immediate Saint John area would involve serious **free trade zone** implications. Many retail outlets in Saint John market brand name goods such that manufacturers attempting to open outlets would find themselves in conflict with their regular wholesale accounts. Score: 2/15.

Visibility of the facility would depend on the location. Any location adjacent to a major intersection and highway would have adequate visibility. Score: 10/15.

The extensive retail facilities already found in Saint John, although they do not include value retailing outlets would contribute towards **critical mass** considerations for the area. Score: 7/15.

According to the 1986 Canadian Travel Survey, the Charlotte/Kings/St. John region experienced the second highest **tourist traffic** in the Province behind Moncton with approximately 800,000 person trips. From the 1983 Auto-Exit Survey, pass through traffic (non-resident tourists) for the City of Saint John was 234,394 parties or 607,611 persons. Score: 12/15.

Saint John is the largest city in the Province with a population in 1986 of 76,380 and a population within a 100 kilometre radius of 260,000. The average household income in 1986 was $28,089. Twenty-eight percent of Saint John residents had some university education and 48 percent had not finished high school. **Demographics** score: 6/10.

Development costs within Saint John would be relatively high because of high land costs associated with urban area development. Score: 5/10.

Access would depend on the location chosen. Access off of the main highways through Saint John would be limited to existing interchanges. Were the potential facility to be located on a highway without limited access, access would be improved. Score: 5/10.

Saint John possesses many attributes which would contribute towards success as a potential value retailing outlet location. The free trade zone constraints may limit potential in this area. **Gut feeling** score: 7/10.

Fredericton, N.B.

Accurate **traffic volume** counts are difficult to obtain for the Fredericton area due to the large number of arteries feeding into the city. Average annual daily traffic count in 1988 on the TCH at the Princess Margaret Bridge was 16,020 giving a total of 5.8 million vehicles annually. Score: 16/20.

The capital of New Brunswick and location of several institutions of higher learning, Fredericton is a regional shopping destination for south/central New Brunswick. With the retail mall expansions underway Fredericton will rival Moncton as the shopping destination in the Province. In addition, Fredericton has tourist attractions such as Kings Landing, Woolastock Wildlife Park, Mactaquac Provincial Park and ski hills at Crabbe Mountain and Silverwood. The city also offers a selection of accommodations and restaurants as well as historical and cultural attractions. Taken together all of these attributes constitute a form of **anchor**. Score: 14/20.

The role of Fredericton as a regional shopping destination and the variety of brand name retailers in the area will pose serious **free trade zone** problems when considering potential establishment of value retail outlets in the area. Movement of the potential development outside the 30 kilometre limit is not practical as it would negate most of the advantages of locating in the Fredericton area. Score: 2/15.

Visibility would depend on the location chosen. Consideration would have to be given to the potential re-alignment and twinning of the TCH. Score: 10/15.

The Fredericton area has and is acquiring (with construction underway) sufficient regular retail space to constitute **critical mass** in relation to shopping opportunities. Score: 7/15.

Using data from the 1986 Canadian Travel Survey, it is estimated that for the York/Sunbury/Queens region, **tourist traffic** was approximately 750,000 person-trips. From the 1983 Auto Exit Survey, 256,715 non-resident tourist parties or 662,539 persons passed through the Fredericton area from May to October of 1983. Forty-one percent of those non-resident travellers listed passing through as their primary purpose of visit while 39 percent indicated sightseeing as their primary purpose. Score: 11/15.

In 1986, Fredericton had a population of 44,350 with a population within a 100 kilometre radius of 295,000. Average household income in 1986 in Fredericton was $34,215. Thirty-four percent of residents over age fifteen had some university education while 35 percent had not completed high school. **Demographics**. Score: 6/10.

Development costs in the Fredericton area would be relatively high due to high demand for prime property for retail purposes. The ongoing construction of retail/commercial space has pushed up land prices significantly. Score: 5/10.

Access to a potential value retailing outlet in the Fredericton area would depend on location in relation to major interchanges on the TCH. The proposed re-alignment and twinning of the TCH will be critical factors in relation to access. Score: 5/10.

The Fredericton area possesses many of the attributes necessary for success of a value retailing venture. Success in this location will be affected by free trade zone considerations. **Gut feeling** score: 6/10.

APPENDIX "F"

SELECTED NEW BRUNSWICK MANUFACTURERS

ABBREVIATION	MEANING
CNO	Company number according to the 1989 Director of Products & Manufacturers database
Min/Max	Minimum and maximum levels of employment

FISH PROCESSING FIRMS

CNO	NAME	PHONE	MIN	MAX
293	Association Cooperative des Pecheurs de	344-2204	225	800
718	Connor's Bros. Limited	456-3391	400	700
1144	Connor's Bros. Ltd., Shippagan Division	336-4791	10	700
648	Paturel's Seafood Limited	532-4431	30	650
788	Westmorland Fisheries Ltd.	577-4325	6	410
719	Welch, N.W. Company Reg'd	747-2250	30	400
638	Buctouche Fish Market Ltd.	743-8935	15	400
1148	P cheries F.N. Fisheries Ltd.	336-2360	10	350
723	Cape Bald Packers Limited	577-4316	15	300
5032	Boreal Seafoods Ltd.	727-6020	250	300
1132	Gully Fish and Food Products Co. Ltd.	336-2278	10	300
716	Connor's Bros. Ltd.	755-3371	10	280
2086	P cheries MPQ Ltée/MPQ Fisheries Ltd.	727-3743	3	270
1109	Produits Belle Baie Ltée (Belle Baie Pro	727-4414	12	259
1125	Pêcheries Belle Ile Fisheries Ltd.	344-8009	2	250
740	Cormier & LeBlanc (1968) Ltd.	577-4307	3	250
715	Star-Kist Foods Canada Inc. (Ocean Maid	529-8871	220	250
760	Landry and Landry (1984) Ltd.	577-4361	180	225
1459	P cheries Cap-Lumière Fisheries Ltd.	523-4445	200	225
1540	P cheries St-Paul (1989) Ltée	727-7247	125	200
619	Mills Seafood Ltd.	743-2444	4	200
755	Gagnon, Edmond Ltd.	532-2445	150	200
1209	Alfo Fisheries Ltd.	783-4251	20	200
711	Shediac Lobster Shop Ltd.	532-4302	175	200
734	Leger, Leslie & Fils Ltée	577-4730	50	185
1869	Carapro Ltée/Ltd.	727-3462	7	182
2481	Ocean FloSeafood Ltd.	727-7211	25	175
2654	Atlantic Silver Ltd.	755-3304	123	162
2492	Crown Seafoods Ltd.	876-2873	100	150
1658	Canadian Ocean Products Ltd.	732-5505	2	150
2367	Atlantic Seaharvest Co. Ltd.	395-6516	90	142
1176	Maisonnette Seafoods Ltd.	732-2839	3	135
287	Blue Cove Packing Co. Ltd.	732-2839	3	130
2366	Acadia Packers Limited	336-2278	50	130
2593	Flagg, Roland	662-3462	6	126
720	Connor's Bros. Limited	662-8477	75	125
889	Albert and Sons Fisheries Ltd.	776-8233	60	125
1569	Poissonnerie R & G Cormier Ltée (La)	732-2995	1	125
2488	P cheries de Chez-Nous Ltée	395-6678	20	110
884	Cooperative des Pecheurs de Baie St-Anne	228-4444	15	110
2071	O'Neill, Raymond & Son Fisheries Ltd.	228-4794	4	105
2480	P cheries G.E.M. Ltd.	727-5217	35	102
2250	Produits de P che A.Jones (Les)/A.Jones	344-7531	2	100
1781	Morue Imperiale Ltée (La)	344-7819	1	100
721	Welch, N.W. Company Reg'd	752-2097	8	100
629	Richard, B.A. Ltd.	743-6198	3	100
2653	Seafarm Canada Inc.	633-5897	80	90
1635	Village Bay Oyster Co. Ltee	523-6479	70	85
1140	McGraw Sea Food Ltd.	395-3374	7	80
781	Richibouctou-Village Fishermen's Co-Oper	523-4520	4	80
2210	Nageoire Ltée (La)	336-8808	1	80
1517	Special K Fisheries Ltd.	662-8431	11	75
396	P cheries Roma Ltée	732-5361	4	65
1760	Poisson Raymond Ltée	743-5627	10	65
2589	P cheries W.C. Ltée	344-2432	2	60
717	Connor's Bros. Limited	456-3388	20	60
1844	Ellis Seafoods Ltd.	546-3410	3	60
2465	P cheries Malbay Fisheries Ltée	344-5517	1	55
750	LeBlanc, Emile C. & Fils Ltée	577-4323	20	50
2084	Sea Tide Import & Export Ltd.	577-4070	1	50
1571	Acadia Seafoods Ltd.	532-9591	5	45
1527	Botsford Fisheries Ltd.	577-4328	15	45
2467	Deer Island Salmon Ltd.	747-2303	25	45
1530	Heishiron Fisheries Ltd.	662-3502	8	35
2283	Harbour De Loutre Products Ltd.	752-2255	17	35
1795	West India Trading Co. Inc.	577-6214	3	35
722	Brine, Roger D. Ltd.	577-2917	5	35
1833	J. & J. Fisheries Ltd.	523-6917	8	35
2368	Ocean Pier Inc.	577-4797	25	35
736	Boudreau, Alvin & Rufin	577-2264	4	32
1630	Pendleton Fisheries Limited	747-2935	15	30
730	Gaudet & Ouellette Ltd.	577-4016	5	30
802	Atlantic Mariculture Ltd.	662-8150	1	30

FISH PROCESSING FIRMS (CONT'D)

CNO	NAME	PHONE	MIN	MAX
2590	P cheries W.J. Fisheries Ltd.	344-7106	20	30
1794	Trenholm, H. Fish Ltd.	538-7704	1	30
765	Ouellette, Philippe & Son Ltd.	577-2560	4	30
1481	Ingersoll, John L. & Sons Ltd.	662-3577	15	30
1284	Kent Fish Products Ltd.	743-5627	15	25
732	Thaddé & Alvére Fisheries Ltd.	577-2824	20	25
1825	Jail Island Salmon Ltd.	755-3321	20	25
2447	St. Thomas Fish Market	743-5965	20	25
2318	Poissonnerie Arseneau Fish Market Ltée	783-2195	3	25
1793	Cormier, Adrice Ltée	577-2511	2	25
1862	P cheries Cap-Lumière Fisheries Ltd.	523-4489	10	25
1518	M.G. Fisheries Ltd.	662-3696	10	22
1841	Russell, Hovey and Sons Ltd.	662-8406	10	20
1947	Back Bay Lobsters Ltd.	755-3311	6	20
729	Duguay Fish Packer Ltd.	577-2287	2	20
2328	Whole Family Fishery	662-3437	6	20
2477	Caissie Shellfish Ltd.	532-6954	5	20
2487	Marché de Poisson M. Lanteigne	336-4850	10	20
748	R. & G. Jacob Seafoods Ltd. / Produits d	577-2766	15	20
1564	Produit Blan-Din Ltée	727-2004	12	20
751	Boudreau Farm & Sea Products Ltd.	577-2761	2	20
770	Amco Fisheries Ltd.	577-4175	3	20
785	LeBlanc, Norbert & Elphege Ltd.	577-6301	4	20
1131	Bulger Fish Market Ltée	336-8232	12	20
797	Lomax Enterprises Ltd.	659-3090	4	20
1789	Petit Cap Fisheries Ltd.	577-2885	10	18
300	Morse & Zwicker Ltd.	662-8225	15	18
787	Ouellette Sea Products Ltd.	577-4742	7	16
786	Norco Fishery Ltd.	577-4537	8	15
2646	Val Comeau Fish Center Ltd.	395-2542	1	15
297	St.Laurent Gulf Prod. Ltd., Produits de	727-5465	12	15
2212	Phinney Fisheries	752-2419	6	15
1124	Produit de Peche H. Savoie Ltée	344-8307	1	15
2013	Landry Shellfish Ltd.	529-3703	4	15
1839	Green's Sea Products Ltd.	662-3661	3	15
1838	Little Rock Fisheries Limited	662-3461	3	15
1681	Marché de Poisson Landry Inc.	732-5557	2	15
1903	Leger, Alphee and Pierre	577-6100	1	15
1902	Eastern Sea Products Ltd.	523-9622	2	15
2489	Poissonnerie S.B.L.	727-6321	10	14
2069	D&J Fisheries (Division of Ben's Island	662-3673	10	14
1575	Fundy Fish Ltd.	635-1300	12	14
1483	Small, F. and J. Ltd.	662-8585	4	13
2483	Silliphant Processing Ltd.	755-6351	8	13
2482	Fundy Lobsters Ltd.	662-3144	4	12
1837	W.E. Acres Crabmeal Ltd.	577-6357	2	12
2479	Simpson, M.D. & Son	538-7752	1	12
816	Small, James	662-3173	1	12
1976	Seaco Limited	662-3328	2	12
1628	Sippley's Fisheries Ltd.	228-4457	4	12
279	Jacob Fisheries Ltée	577-6513	8	11
2468	Ferme Ostréicole Chiasson ENRG (La)	344-7133	3	10
2470	Ferme Ostréicole Dugas Ltée	727-4619	1	10
1804	Doiron, Roger	577-6163	3	10
742	Gaudet, Albert F.	577-4077	6	10
2172	South Shore Trading Co.	538-7619	3	10
1624	Fundy Bay Seafood	659-2890	4	10
1904	Chiasson, S.P. Poissonnerie Ltée	344-2269	2	10
2008	Hu tre de Miscou Oyster Enrg. (L')	344-7811	2	10
1310	P cheries Continental Fisheries Ltée (Le	732-2839	1	10
2466	Seafresh Aquaculture Products Ltd.	755-3437	4	9
1682	Marché du Poisson de Pokesudie Ltée (Le)	727-7517	4	9
1180	Savoie, Emery J. & Sons Ltd.	776-3243	1	9
737	Seashore Fisheries Ltd.	577-6332	5	8
2647	Brun, Norbert	577-6373	6	8
1997	Cooke's Shellfish Ltd.	755-3048	6	8
1788	G.L. and Sons Fish Processors Ltd.	577-2817	3	8
2440	Ocean Crest Ltd.	755-2524	5	8
2469	Fundy Salmon Ltd.	755-2841	3	8
2348	Frigault, Alban Marché De Poisson	727-3069	2	6
2028	Northern Clams Ltd.	752-2963	5	6

FISH PROCESSING FIRMS (CONT'D)

CNO	NAME	PHONE	MIN	MAX
1126	Blanchard, Maurice	344-7449	2	6
2485	Jalliet, Alterice	743-6751	3	5
1291	Richard Fish Products Ltd.	523-9303	2	5
1390	Terry's Fish	763-2617	3	5
768	James Brine Fish Packers Ltd.	538-7579	1	5
3449	Trico Seafoods Ltd.	387-8175	3	4
1732	Carroll Fisheries	662-3733	2	4
1570	River Valley Fish Co. Ltd.	488-3370	2	4
2478	Caraquet Aquaculture Ltée	727-6744	1	3
302	Etang Ruisseau Bar Ltée	336-8749	1	3
1739	Spring Rocks Fisheries Ltd.	662-8627	3	3
5152	Roger Breau Fish Exporters	857-1729	1	3
791	Chamcook Seafoods Ltd.	529-3344	1	2
1735	Fundy Aquaculture Ltd.	662-8404	2	2
2486	Cuisine Cajun Cuisine Ltée	395-6668	1	1
1912	Poissonnerie Savoie (La)	344-8666	1	1
FINAL TOTALS				
TOTAL COUNT 160			3628	13788

SUGAR & CHOCOLATE CONFECTIONARY

CNO	NAME	PHONE	MIN	MAX
810	Ganong Bros. Limited	466-1220	180	225
714	LaSalle Confections Limited	532-3401	13	33
2153	Valley Confections Ltd.	474-0351	1	9
2471	Sucreries LeBlanc Sweets Ltée	532-4591	2	8
FINAL TOTALS				
TOTAL COUNT 4			196	275

LUGGAGE, PURSE & HANDBAG INDUSTRY

CNO	NAME	PHONE	MIN	MAX
2252	Wheeler Accessories Ltd.	458-0991	9	12
FINAL TOTALS				
TOTAL COUNT 1			9	12

CLOTHING INDUSTRY

CNO	NAME	PHONE	MIN	MAX
1066	Chemise J.M.L. Ltée (La) - J.M.L. Shirt	735-5596	200	300
1757	Myli Sportswear Ltd.	739-6331	75	80
1738	B.N. Sportswear Ltd.	445-2360	60	80
2021	Confections S.A.R. inc. (Les)	739-9538	55	75
1028	Chemise J.M.L. Ltée (La) - J.M.L. Shirt	473-3398	50	70
1863	Confection B.L. Inc.	992-3551	60	70
1961	Marilyn Sportswear Ltée	263-5876	30	60
2258	Chemise Goldstar Inc.	473-6123	56	56
2412	Confection 4e Dimension Ltée	423-7660	45	55
1773	Karine Sportswear Ltd.	739-6183	40	55
1964	Edith Sportswear Ltd.	263-5990	45	50
2430	Modes Carl Fashions Inc.	759-9779	35	40
1014	Tisserands Madawaska Weavers Ltd. (Les)	423-6341	30	40
2510	Andrée-Anne Sportswear Ltd.	743-8914	28	35
2575	Modes Atlantic Fashions Inc.	759-9779	30	35
2229	V tements P.D.G. Ltée (Les)	739-8737	23	30
2391	Unitex N.B. Company Ltd.	858-5665	20	30
2158	Manon Sportswear Ltd.	992-3568	25	25
2142	Confections Restigouche Inc.	826-2520	20	25
2180	C'Mon In Sportswear	576-7807	12	20
1555	V tement Petit Fleur Inc. (Le)	473-2352	16	20
1067	Chiasson, L. Fourrures-Furs Ltd.	735-4738	10	19
2278	Workers Tailor Ltd./Ltée (The)	548-3188	13	15
1856	B. & B. Custom Sportswear	857-0166	14	14
2617	Cana Gloves Ltd.	783-8866	6	10
1563	Corporation 2000 Ltd./Ltée	548-3835	1	10
2562	Whale Cove Knitters	662-3318	1	10
2556	Shaunel Collection (The)	384-4902	2	8
2319	B.J. Fourrures/Furs Ltée	783-4860	2	8
2624	Little Liberties Inc.	453-0154	8	8
1715	Bend Knitting Company Limited (The)	388-4880	3	6
230	Cottage Craft Limited	529-3190	4	4
2041	Fourrure Lelièvre Ltée	727-5694	2	4
5066	Uniform Concepts Inc.	854-3050	2	3
2425	Sylvia's Dressmaking	633-1062	2	3
3528	Cigi Design Inc.	854-3050	2	3
2631	S & D Holdings Ltd.	634-0762	2	2
2532	Puffin Knitwear (T.B. Reg'd)	662-3375	1	1
FINAL TOTALS				
TOTAL			1030	1379
COUNT	38			

FOOTWEAR INDUSTRY

CNO	NAME	PHONE	MIN	MAX
13	Hartt Shoes, A Division of Church & Co.	458-8358	155	155
3461	Super Soles Inc.	455-7883	2	8
FINAL TOTALS				
TOTAL			157	163
COUNT	2			

FURNITURE & FIXTURE INDUSTRY

CNO	NAME	PHONE	MIN	MAX
1012	Nadeau & Nadeau Limited	992-2121	137	148
1440	Springwall East/Atlantic Sleep Products	532-4481	100	120
1867	Quality Woodwork Limited	857-8268	30	35
2704	Interdec Manufacturier Ltée	395-6970	10	30
2621	Irving Specialties Products Ltd.	743-2482	20	30
1633	Shorewood Furniture Ltd.	857-0726	20	25
579	Brunswicklab Ltd.	433-4850	15	20
2349	MARTONE	853-1990	12	16
2579	East Coast Furniture Mfg. (T.B.I.)	525-2493	5	15
1989	Country Comfort Center 1988 Ltd.	328-6800	13	15
2548	Noble, Dave (Woodworking) Ltd.	357-6929	10	12
2600	Stortec Inc.	459-8655	6	12
2382	L.L. Woodworkers Ltd.	532-8252	6	10
682	Stiefurniture Ltd.	857-4990	1	10
1988	Oak Leaf Enterprises Ltd.	633-0015	3	8
2950	Scotchtown Manufacturing	385-2007	8	8
527	Claessen, Peter & Sons Ltd.	672-4308	6	8
2327	Logan's Lawn Furniture Ltd.	366-5405	3	7
2117	Heritage Framing Specialties Ltd.	382-8441	3	6
2342	Print Gallery (The)	459-7493	3	6
2011	Pine, E.L. Manufacturing	459-3322	3	6
2613	Trout Brook Manufacturing Ltd.	622-4665	4	6
518	Clayton Woodworking	696-3700	2	5
2594	Lakeview Enterprise Ltd.	276-4205	2	5
2297	Arseneau, Roland	783-3356	1	5
2407	Wood-N-Things	832-7590	3	5
23	Butterfield's Upholstery Ltd.	459-0880	3	4
2352	Centre D'Art Ulrich	395-6590	4	4
574	Byers and Son Custom Woodworking	433-3297	2	4
2190	Falls Brook Woodworking	375-6550	1	4
1254	Idylwyld Studios	755-2280	2	4
1290	Potter Enterprises	876-2661	2	4
2474	Anthony's Carpenter Shop	755-3545	2	3
2576	Port Furnishings	634-0420	1	3
2400	Sleep Well Manufacturing Ltd.	357-9287	1	3
677	Artistic Upholstery	853-5025	3	3
3964	Cabinet Shop (The)	382-5153	2	2
2157	Ripley Woodwork	278-5485	1	2
548	Belleisle Pine Shop (The)	485-2390	2	2
2555	Cape Wood Works	379-2591	1	2
550	Village Sawmill (The)	847-5165	2	2
2062	Brunswood Manufacturing Ltd.	459-3838	1	2
562	Kippers, Roy Woodcrafts	847-4807	1	2
2314	A Frame Shop & Gallery (The)	388-4005	1	2
1348	Tobique Pine Furniture	356-2741	1	1
1512	Brunswick Rustic Furniture	473-1460	1	1
2034	Custom Woodworking	366-5794	1	1
2565	Cube-It File Corp./File Cube	634-8120	1	1
2096	Seaside Woodworks	672-8465	1	1
2445	Little Frame Shop	472-0123	1	1
FINAL TOTALS				
TOTAL			464	631
COUNT	50			

OTHER WOOD INDUSTRIES

CNO	NAME	PHONE	MIN	MAX
1012	Nadeau & Nadeau Limited	992-2121	137	148
1440	Springwall East/Atlantic Sleep Products	532-4481	100	120
1867	Quality Woodwork Limited	857-8268	30	35
2704	Interdec Manufacturier Ltée	395-6970	10	30
2621	Irving Specialties Products Ltd.	743-2482	20	30
1633	Shorewood Furniture Ltd.	857-0726	20	25
579	Brunswicklab Ltd.	433-4850	15	20
2349	MARTONE	853-1990	12	16
2579	East Coast Furniture Mfg. (T.B.I.)	525-2493	5	15
1989	Country Comfort Center 1988 Ltd.	328-6800	13	15
2548	Noble, Dave (Woodworking) Ltd.	357-6929	10	12
2600	Stortec Inc.	459-8655	6	12
2382	L.L. Woodworkers Ltd.	532-8252	6	10
682	Stiefurniture Ltd.	857-4990	1	10
1988	Oak Leaf Enterprises Ltd.	633-0015	3	8
2950	Scotchtown Manufacturing	385-2007	8	8
527	Claessen, Peter & Sons Ltd.	672-4308	6	8
2327	Logan's Lawn Furniture Ltd.	366-5405	3	7
2117	Heritage Framing Specialties Ltd.	382-8441	3	6
2342	Print Gallery (The)	459-7493	3	6
2011	Pine, E.L. Manufacturing	459-3322	3	6
2613	Trout Brook Manufacturing Ltd.	622-4665	4	6
518	Clayton Woodworking	696-3700	2	5
2594	Lakeview Enterprise Ltd.	276-4205	2	5
2297	Arseneau, Roland	783-3356	1	5
2407	Wood-N-Things	832-7590	3	5
23	Butterfield's Upholstery Ltd.	459-0880	3	4
2352	Centre D'Art Ulrich	395-6590	4	4
574	Byers and Son Custom Woodworking	433-3297	2	4
2190	Falls Brook Woodworking	375-6550	1	4
1254	Idylwyld Studios	755-2280	2	4
1290	Potter Enterprises	876-2661	2	4
2474	Anthony's Carpenter Shop	755-3545	2	3
2576	Port Furnishings	634-0420	1	3
2400	Sleep Well Manufacturing Ltd.	357-9287	1	3
677	Artistic Upholstery	853-5025	3	3
3964	Cabinet Shop (The)	382-5153	2	2
2157	Ripley Woodwork	278-5485	1	2
548	Belleisle Pine Shop (The)	485-2390	2	2
2555	Cape Wood Works	379-2591	1	2
550	Village Sawmill (The)	847-5165	2	2
2062	Brunswood Manufacturing Ltd.	459-3838	1	2
562	Kippers, Roy Woodcrafts	847-4807	1	2
2314	A Frame Shop & Gallery (The)	388-4005	1	2
1348	Tobique Pine Furniture	356-2741	1	1
1512	Brunswick Rustic Furniture	473-1460	1	1
2034	Custom Woodworking	366-5794	1	1
2565	Cube-It File Corp./File Cube	634-8120	1	1
2096	Seaside Woodworks	672-8465	1	1
2445	Little Frame Shop	472-0123	1	1
FINAL TOTAL COUNT 50	TOTALS		464	631

BREWERY PRODUCTS INDUSTRY

CNO	NAME	PHONE	MIN	MAX
415	Moosehead Breweries Limited	635-7000	275	325
414	Labatt's New Brunswick Brewery (Div.of O	635-5050	141	165
2448	Hanshaus Brewery (Div/Bavarian Specialti	858-0660	10	10
FINAL TOTAL COUNT 3	TOTALS		426	500

GLASS & GLASS PRODUCTS INDUSTRY

CNO	NAME	PHONE	MIN	MAX
896	Consumer's Glass	532-4446	195	280
2083	Vitreries de Lamèque Ltée (Les)	336-8202	1	3
FINAL TOTALS				
TOTAL			196	283
COUNT 2				

OTHER LEATHER & ALLIED PRODUCTS

CNO	NAME	PHONE	MIN	MAX
1447	Sackville Harness Limited	536-0642	5	5
2125	Hansen Leather Manufacturers Ltd.	384-2625	3	5
609	Atlantic Leather Products Inc.	382-1237	2	2
2630	Leather Peddler (The)	634-0764	2	2
668	Kierstead Canvas & Harness	386-3374	1	1
FINAL TOTALS				
TOTAL			13	15
COUNT 5				

TOYS & GAMES INDUSTRY

CNO	NAME	PHONE	MIN	MAX
2649	Chums & Co. Inc.	759-9239	6	7
1967	Plumpkins Ltd.	328-2279	3	3
2637	Ann Marie Porcelain Productions	375-8754	2	3
2403	Jensen's Woodcrafts	553-6828	1	1
FINAL TOTALS				
TOTAL			12	14
COUNT 4				

APPENDIX "G"
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